ا هڪر سويال جل

World bankers urge

side the EC that the unified market will discriminate

Yesterday's initiative took

against non-EC banks.

tive competition.

By Peter Norman, Economics Correspondent, in London

Lawson defends policy on £

the pound has been on an

upward trend since the Febru-

ary 1987 Louvre Accord in which the Group of Seven lead-

ing industrial nations agreed

to work for exchange rate sta-

Events since the spring,

when he tried in vain to peg

sterling to DM3.00, had led him to believe that a slightly higher

exchange rate was now "appro-

strength of the British econ-

omy and the need to make

British industry take a disci-

plined line in agreeing wage settlements had prompted his

change of view since the spring. He recalled that the

The Chancellor said that the

priate," he added.

Thursday December 1 1988

Israel Labour Siemens turns down

World News

-5

Zelineri ude ...

Likud offer of coalition

Israel's Labour Party, rebuffing its leader, Foreign Minister Shimon Peres, rejected an offer to join a coalition government led by Prime Minister Yitzhak Shamir's right-wing Likud

A spokesman for Mr Shamir said the prime minister would instead form a government of Likud and small far-right and orthodox Jewish religious parties as soon as possible.

Bangladesh cyclone Rangladesh, still recovering from devastating floods which ieft 3,000 people dead, was bat-tered by its worst cyclone in 20 years. The death toll may be as high as 5,000. Page 2

Row over Ryan case A political row between Britain and freland over the case of Patrick Ryan, the Irish former priest wanted by London for alleged terrorist offences, intensified following reports of serious flaws in British extradition papers. Page 18

Pakistan spy charge India arrested Pakistan's military attaché, accusing him of

Bhutto's path clear Benazir Birutto's main rival abandoned an attempt to form a Pakistani government, clearing the way for her nomination as first woman prime minister of a Moelem country. Page 18

Consulate threat

Australia is considering clos-ing the Yugoslav consulate in Sydney and expelling its staff after the shooting of a 16-year-old Croatian youth.

USS Himitz fire

A sallor was killed and another clously injured when a jet ... fighter on the US aircraft carrier Nimitz accidentally fired shots and set another aircraft on fire during routine mainte-

Sikhs face execution Two Sikhs convicted of assassinating Indian Prime Minister Indira Gandhi ia 1984 are due

to be executed tomorrow at New Delhi's Tihar jail. 1957 diseater clues

Specific space research com-pany published satellite images ng the site of a Soviet in the Urals said to have occurred in 1967.

Kurd protest

Paris police arrested some 50 Turkish Kurds after violence broke out at a demonstration outside the hotel of visiting Turkish Prime Minister Turgut

Air crash charges Tokya police wili refer a total of 20 people for prosecution in connection with the crash three years ago of a Japan Air Lines Bocing 747 in which 524

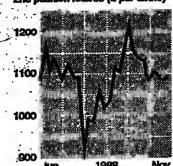
Walesa's TV plea Solidarity leader Lech Walesa called for restoration of trade union freedoms in an impas-sioned television duel with Poland's Communist union

Marcos fit for trial A doctor appointed by the US government has declared former Philippine president Ferdi-nand Marcoc well enough to travel to New York to face arraignment on racketeering

Business Summary seeks alliance

SIEMENS, the West German panies fail in their joint bid for Plessey, the British tele-communications and defence group. Page 19

COFFEE prices rose sharply



a rise of £29, bringing closer

LONDON Stock Exchange has fined two securities houses for trying to falsify the market, according to Stock Exchange

rules, by late trade reporting. THOMSON CSF, French state controlled defence and elec-

concern, are negotiating a merger of their military and civil flight electronics businesses to form Europe's bigges group in the sector. Page 20 CABLE & Wireless, international telecommunications group, launched a raid on the

telephone equipment supplier for which C and W is making a £20m (\$588m) takeover hid.

operations in Australia st further by unexpectedly withdrawing altogether from stockbroking. Page 19

merge their silicone-based apsed because of opposition

TVES SAINT LAURENT IS planning a FFr1.5bn (\$253m) see Cerus, the French holding company of Mr Carlo De Bene-detti, reduce by about one third its stake in the famous

RECORD-BREAKING takeover auction for RJR Nabisco remained undecided as the

A.R.E. GALADARI Brothers, Duhai-based company which is one of the leading diversified groups in the United Arab Emirates, signed an agreement with Dubai Bank on terms to repay a Dh401m (\$109m) loan.

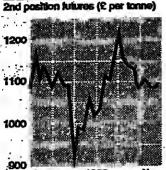
of electric and electronic goods, lifted consolidated net September by 203 per cent to Y53.4bn (\$437.7m). Page 23

BRIDGESTONE, Japanese tyre company, announced a \$1.5hn expansion plan for Firestone Tire & Rubber, the US group it bought earlier this year for \$2.6hm. Page 23

with GEC

electronics group, is interested in extensive collaboration with the General Electric Company of the UK even if the two com-

on growing concern about tight supplies of robusta from Africa. The three-month con-tract closed at £1,096 a tonne,



the possibility of an increase in International Coffee Organi sation export quotas. Markets:

tronics company, and Aerospa-tiale, French state aerospace

shares of Telephone Rentals,

MORGAN Grenfell Australia, Australian arm of the London merchant bank, is slashing

GENERAL Electric and Union Carbide's ambitious plan to chemicals operations into a \$750m worldwide husiness colfrom anti-trust authorities and management disagreements.

capital increase which will also French fashion and perfume group. Page 22

company's management unex-pectedly raised to \$108 a share the supposedly final bid they had submitted to the company.

TOSHIBA, the Japanese maker income for the first half ended

STOCK INDICES

New York kunchtime

Dow Jones Ind. Av.

\$14,28 (+8cts) (Dec)

West Tex Crude \$15.11¹2 (+15cts)

2,114.51 (+12.96)

A GROUP of the world's leading bankers yesterday made the strongest public statement yet from the bank-ing community about the European Community's plans for financial markets after 1992.

The bankers - who include Mr John Heimann, vice chair-man of Merrill Lynch Capital Markets and head of its Euro-pean operations, Sir Martin Jacomb, chairman of Barclays de Zoete Wedd, and Mr Dennis Weatherstone, president of J.P. Morgan – listed a series of basic principles they see as essential to ensure the Community'a financial markets remain open to the rest of the world after the creation of the

EC single market They urge the EC to end the uncertainty surrounding key issues on market unification, particularly on access, and supervisory and regulatory

The EC proposals are caus-ing considerable controversy, mainly because of the proposal that non-EC institutions should be subjected to a reci-procity test before they can be admitted.

The banking world is worried that the 1992 plan could therefore restrict or exclude non-EC institutions from the market, mainly on grounds of

reciprocity.

Although EC officials have recently tried to clarify these plans hy stating reciprocity would not be applied to institutions already present in the Community, there is still concern among institutions ont-

MR Nigel Lawson, British

Chancellor of the Exchequer,

yesterday declared that the UK Government's anchor against

inflation is its determination

not to allow a devaluation of

the pound.

However, in a detailed exposition of the Government's pol-

icy towards sterling, he told

the House of Commons Trea-sury and Civil Service Commit-

tee that he did not want to see

a sharp npsurge in the exchange rate, such as occurred with the US dollar

"That is neither necessary

But Mr Lawson recalled that

nor desirable," the Chancellor

 Supervisory authorities in all major countries should press ahead with plans for cooperation in supervision and operation of both international capital markets and banking.

the the form of an open letter to Mr Gerry Corrigan, Presi-dent of the New York Fed. The bankers belong to the Fed's International Capital capital markets and banking.
A total of 18 people put their
name to the letter, most whom
were representing US commercial and investment banks.
Some, however, also belonged
to institutions in Canada,
Japan, Switzerland, Germany,
and France. Markets Advisory Committee

— a group of top commercial
and investment bankers which was formed last year to advise the Fed on international matand France.
The Americans and Japanese

are the most worried by the EC's plans because they fear their own internal restrictions "These matters will have an immediate and significant bearing on business plans for EC and non-EC financial firms alike, as well as for supervi-sory authorities around the world," they say. "Their resolu-tion cannot be delayed until on banks engaging in securi-ties underwriting could trigger "mirror image" counter-mea-sures against them in the Com-

But the presence of Sir Marthe early 1990s." tin Jacomb, a leading London financial figure, is also an indi-cation of the UK's concern that The committee puts forward four principles which they say should ensure that access to 1992 could affect London's posithe market is fair and open, tion in the international finanbut prudently managed:

• Markets should be open to all suitably-qualified institu-

cial market place.

There is little Mr Corrigan
can do, as recipient of the letter, to shape EC policy because
he is not involved. However, tions, regardless of origin, with assurances that supervision and regulation "are not used as the advisory committee meminwarranted barriers to effecbers clearly hope to make an impact in Brussels hy publish-• Reciprocity should not be ing their letter. applied on a "mirror image"

ing their letter.

The Fed's views also carry considerable weight among EC central banks and regulators. Mr Robert Heller, a Fed governor, has already warned that any attempt by the EC to impose restrictions on Americans and Americans and Americans and Americans. basis under which access to the EC market would depend on Community institutions being granted identical privi-leges in the foreign market. • Giving the same national treatment to all institutions can banks would trigger a reg-ulatory backlash in the US. while modernising financial structures is the best way to Editorial comment, Page 16

pound had depreciated against the D-Mark in each of the six

years np to 1987, which had

prompted industry to believe

that such depreciation was a fact of life. That psychology

had to come to an end," he

He said that there was no

Mrs Thatcher, the Prime Minis-

ter, on economic policy. His hid to peg the pound in the spring

led to a major dispute between

The Chancellor firmly rejected suggestions from some

members of the committee that

industry would suffer from the Government's strong sterling

Continued on Page 18

open access to EC Against the D-Mark (DME) markets after 1992 Nov 1988

Washington backs early meeting of G7

Index (1975~100) Source: Bank of Englan

By Peter Norman and Simon Holberton in London

FINANCE MINISTERS from the Gronp of Seven major industrialised countries have not yet decided if they will meet before next April, but the US is in favour of an early

gathering.

A US Treasury official said yesterday the US favoured a meeting shortly after the inan-guration of Mr George Bush as President in late January.

He stressed, however, that no firm date had been set and added that recent publicity of a meeting could undermine the chances of it occurring. Neither is there full agreement among the G7 that such a

meeting should take place.

Both Mr Pierre Bérégovoy,
French Finance Minister, and
Mr Gerhard Stoltenberg, West German Finance Minister, have come out in favour an early meeting of the G7. The UK and Japanese, however,

have reservations.

Mr Nigel Lawson, UK Chancellor of the Exchequer, said nearly three weeks ago he saw no reason for the G7 to meet before its scheduled April meeting in Washington, when the interim committee of the International Monetary Fund

Mr Lawson is concerned that news of a meeting may raise expectations in financial mar-

The Japanese apparently have raised concerns over the timing of the proposed meet-ing because it is likely to coin-cide with parliamentary delib-erations over the 1989-90

The US position is, howeve that an early meeting of the G7 would be beneficial for two reasons. It would allow Euro-pean and Japanese officials to would also maintain the nomentum of policy co-opera-

The US also believes a meet-ing would enable ministers Continued on Page 18

Reformers in Estonia plan radical change

By John Lloyd, recently in Tallinn, Estonia

ESTONIAN reformers have drafted a radical package of political and economic mea-sures for the Soviet Baltic republic including proposals for an Estonian currency, local immigration laws and a substantial development pro-gramme funded by Western

borrowings.
The plan, commissioned by the Estonian Government, will be put before the Estonian Supreme Soviet (parliament) on Monday. Its adoption is certain to deepen the rift between the most recalcitrant of the Soviet Union's 15 states and Moscow.

refused to bow beneath the torbeen levelled at them in Moscow by Mr Mikhail Gorbachev, the Soviet leader. In s speech to the Praesidium of the Mr Gorbachev said proposal resources and on private prop-erty were anti-socialist and "a grave error.

But Mr Arnold Ruutel, the Estonian President, told the

that Monday's Soviet meeting in Tallinn, the republic's capi-tal, will refuse to recognise the

proposals, known as IME, all Soviet state property, land and enterprises would he trans-fered to the Estonian Soviet.

drafted the IME plan are and other Baltic republics.

Hopes increase for arms negotiations conference on human rights should be held in Moscow.

Estonian leaders have so far

rent of criticism which has Supreme Soviet on Saturday, for republican cootrol of

the USSR Supreme Soviet, which is meeting in Moscow this week, that "there is nothing surprising that we have found our own vision to help us with our economic difficul-Many Estonians also believe

decision of the USSR Supreme Soviet to declare illegal its resolution to exercise a veto over USSR laws, passed two weeks Under the latest Estonian

Other provisions envisage encouraging private, as well as co-operative and state owner-

ship, the emergence of an Estonian currency, an immigration law which would curtail the rights of other Soviet citizens to settle permanently in the republic and hefty borrowing from the West to fund the rapid development of a technologically advanced infrastruc-

eign ministry is pursuing a proposal to establish its own consulate in Stockholm, Sweden, and is considering a similar move in Helsinki, the Finnish capital. The reformers who have

enthusiastic to forge new links with Scandinavian countries

Britain and France believe that the Soviet Union might agree to begin talks on reducing conventional arms throughout Europe without a prior decision on whether a

French President Mitterrand and British Prime Minister Thatcher said yesterday that the issnes were no longer linked. Page 18 Mr Arvo Koddo, an econo-

mist and demographer at the Estonian Academy of Sciences Institute for the Economy, and one of the main authors of the IME plan, said that the drafting group estimated Estonia would need to borrow some Rs7bn (\$11.8bn) from Western hanks to fund an industrial restructuring programme to re-equip ailing heavy industry and set up new light - espe-cially electronic - industries. The plan envisages "equal"

relations between Estonia and the rest of the Soviet Union with the republic charging full market prices for the fin-ished goods in which it specialises, hut also paying full price for raw materials imported from the rest of the At the same time Estonia

would attempt to increase greatly its trade with the West - at present only 3 per cent of Estonian products are sold abroad. Mr Kuddo said that an Esto-

nian currency, fully coovert-ible, was necessary to the plan. His surveys of Estonian demography have shown that the proportion of Estonians in the republic has falled to just over 60 per cent, from a level of. over 65 per cent at the time of the last census, in 1979. He said that "an immigration policy is essential if we wish to retain the national character of the republic.
Mr Kuddo said that educa-

tion, medical and welfare policies should be entirely in the republic's hands, with Estonian enshrined as the state language and the curriculum decided in Tallinn rather than, as now, in Moscow with limited local discretion. He stressed that the plan

"can only be implemented in whole, not in parts." Soviets end jamming, Page 18; Chinese visitor, Page 2

Daimler chief urges European defence groups to build links

A CALL for European defence and aerospace companies to huild np corporate links through a network of cross shareholdings has been made by Mr Edzard Reuter, chairman of Daimler-Benz, the West German motor and engineering

At the same time, he said there would probably need to restructuring and job cuts at some activities of Messerschmitt-Bölkow-Blohm (MBB), the country's biggest aerospace group in which Daimler is poised to take a controlling 30 per cent stake in a deal approved by the federal Gov-ernment last month.

"There are no plans for any dramatic decisions," he said in an interview with the Finan-cial Times. "But it will be the task of the Aerospace group (Daimler's new division) to consider the structure of the whole group. In general I believe that in one or two places there will have to be

He said the takeover, which would create one of the world's largest engineering and aerospace groups with an annual turnover of about DM80hn (\$46.2bn), was still not certain to go ahead. This was because talks had not yet been com-pleted with West German state governments enabling Daimler to proceed with streamlining at some of MBB's 16 West Ger-

man plants.
On European aerospace co-operation, Mr Reuter said: "I believe that this can be strengthened through company cross shareholdings, where one partner (Daimler) takes a stake in France or England, and the British and French take stakes

in the German industry."

Mr Reuter said he would he exploring the possibility of cross shareholdings in the next few weeks in talks with Profes-

sor Roland Smith, chairman of

British Aerospace.

about the possibility of recipro-cal shareholdings with Daimler. It pointed out that foreign shareholders already had a combined stake of 13 per cent in it, close to the 15 per cent maximum set hy the Government when the company was privatised in 1985.

Mr Reuter said his ideas on cross shareholdings in defence

technology also extended to other companies, including Plessey, Marconi and General Electric Company in Britain. He was also in discussions with with Aerospatiala, Snecma and Dassault in France, while such links with Fiat of Italy were also a possibility bility.
Additionally, Mr Reuter said

Daimler would be exploring ways of buying more aerospace components from abroad as a means of offsetting the effects of the fall in the value of the dollar on MBB's civil airliner BAe however is sceptical Feature, Page 16

CONTENTS

abuses by Queensland officials



An 18-month inquiry Into atate corruption many years. Sir Joh Bjeike-Petersen was state premier for 20 he know? Page 16

Technology: Computer data security: en route to the right combination Delmier-Renze Writing a new chapter into the annals of German aerospace Editorial comment: New realism about 1992; Response to the Palestinians Lext British Steel: UK Stock Exchange; LBOs: Telephone Rentals; Siebe Management: Marketing auccesses in the liberalised UK financial sector: Section IV Survey: Birmingham Section Y Survey: Italian Banks mational Bonds . 24,25 Stock Markets -Wall Street

INSIDER'S GUIDE EUROPE.

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HEATHROW AJACCIO ALICANTE STANSTED AMSTERDAM LUGANO LUXEMBOURG BARCELONA LYON MADRID BELFAST MALAGA BELGRADE BERLIN MANCHESTER MARSEILLE BERNE MILAN BILBAO BIRMINGHAM MONTPELLIER BORDEAUX MUNICH NANTES NAPLES BRISTOL BRUSSELS BUCHAREST NEWCASTLE NICE NUREMBERG BUDAPEST CATANIA COLOGNE

COPENHAGEN PALMA CORK DUBLIN PARIS ORLY EDINBURGH EINDHOVEN PRAGUE FLORENCE SALONIKA SALZBURG GENEVA SANTIAGO DE COMPOSTELA GOTHENBURG SEVILLE. HAMBURG HANOVER SHANNON SOUTHAMPTON HELSINKI ISTANBUL STAVANGER STOCKHOLM **JERSEY** STRASBOURG KIEV LARNACA STUTTGART TOULOUSE LILLE

THE FINE ART

VALENCIA

I ERONA

VIENNA

WARSAW

ZAGREB

MISOF FLYING

LINZ

LISBON

LONDON-

AIRPORT

LONDON-

Nov 1988

MARKETS

Copenhagen

SE Composite index

MITTEREST RATES mth Treasury Bills: Bond: 991g 3,079% (9.128)

New York \$1,8535 (1,844) \$1.8505 (1.8525) DM3.2125 (3.2) FFr10.9775 (10.925) 9Fr2.69 (2.6775) Y225.5 (225.0) DOLLAR New York lunch DM1.731 (1.73475) FFr5.91235 (5.9265) SFr1.44925 (1.44975) Y121.45 (121.825)

DM 1.736 (1.727)

Y121.9 (121.45)

Comex Dec \$429.6 (427.1)

New York Intest

STERLING

273.23 (+2.32) FT-SE 100 1,792.4 (+5.5) World: 137.86 (Tues) Tokyo Nikkei Ave 29,578.9 (+260.6) Frankfurt Commerzbank 1,582.5 (+15.5) FFr5.9325 (5.8975) SFr1.453 (1.445) Off. Brent 15-day (Argus)

Determined inquiry uncovers



has uncovered abuses of public position and trust over a period of years. How much did

Agriculture Arts-Reviews World Guide

Editorial Co

Lombard Management Money Markets Observer Unit Trusts World Index By David Housego in New

INDIA's trade deficit widened substantially during the first six months of the current financial year putting pressure on the Government to look to fresh foreign borrowing to finance the say

finance the gap.
Officials yesterday denied local press reports of new import curbs. But they conceded there could be some stretching out of future large investment projects with an emphasis on covering the foreign exchange content of these with matching financial pack-

ages.

Over tha first six months (April-September) of the financial year the trade gap widened by 40 per cent to Rs 41.7bn (£1.53bn) according to Customs figures. But the still unex-plained decline in the foreign exchange reserves over the same period means that tha real gap could be even larger. The widening of the deficit

well beyond official expectations - comes at a time when industrial investment is expected to expand in line with the sharp increase in real eco-nomic growth resulting from this year's exceptionally good

Imports over the six-month period rose by 26.6 per cent to Rs 131.6bn while exports rose by 21.8 per cent to Rs 89.8bn. In dollar terms imports rose by 16.8 per cent against an 11.9 per cent increase in exports.
In the hope of containing the trade deficit, the Government has introduced a number of incentives to hoost exports including a managed depreciation of the rupee, But in bal-

nce of payments terms,
ports need to rise 50 per cent
trar than imports to hold the
Ogap steady.
little he short run, there is
export-pect of more rapid
ments - xpanslon. Garitem - 3To's biomest export item — are's biggest export restrictions, tited by quota and gems — a hed jewellery item — are hear big export on imported ra'dependent Exports of engine atterials.

are rising slowly. goods Denials yesterday import curbs underlie thesh ernment's reinctance impede investment min needed to improve the compete

tiveness of industry. But postponement of some projects
with a high import content
seems inevitable as does the
recourse to greater foreign borrowing.

Indian institutions are
believed to have substantially
extended their short-term borrowing abroad this year. The
Government has also been
seeking to tap long-term funds
from Indians living abroad
through the issua of dollar
honds redeemable only in
rupees.

India's total outstanding foreign debt is estimated at close
to \$60bm.

India's total outstanding foreign debt is estimated at close
to \$60bm.

Pakistan envoy held in India on spying charges

INDIA arreated Pakistan'a military attaché for spying yes-terday after catching with a sensitive defence document, a government spokesman said, Renter reports from New

Security men pounced on Brigadier Zahir-nl-Islam Abbasi at a Delhi hotel as he was meeting an Indian contact,

But Mr Niaz Naik, Pakistan'a ambassador to India, said he had been told nothing by the Indian authorities and was relying on television and radio news for information.

"I am trying to get in touch with somebody at External Affairs to let us know what is happening. It is a breach of diplomatic etiquette," he said. "I heard that he went to the airport to see his mother go back to Pakistan at five o'clock

and since then we have not heard anything."

The ambassador said he "did not think" it was conceivable that his defence attache was

The Indian spokesman gave no details of exactly when or whare Brig Ahhasi was arrested, but said a highly sensitive document had heen

seized. The Indian security agencies have collected indisputable evi-dence over several months. dence over several months, including revealing photographs, of Brig Ahbasi's involvement in defence-related espionage, the spokesman said. Brig Abbasi, the most senior of three defence attaches in the Pakistani mission, has been in tha indian capital for more

than two years. His arrest comes at a sensitive time in relations between India and Pakistan who have fought three wars since gain-og independence from Britain

Singh, India'e Pakistan, is briefing

Indian trade Australia's gross external debt reaches A\$120bn

By Chris Sherweil in Sydney

AUSTRALIA'S gross external deht bas risen to a record A\$120.4bn (\$105hn) despite a strengthening currency, high-lighting again the adverse impact of hnoyant domestic growth on the country's balance of payments.
Figures for the three months

to September, released yesterday, showed a jump of more than A\$4bn in gross debt from a ravised June figure of A\$116.3bn. Net external debt

AT LEAST 400 people were

AT LEAST 400 people were killed as the worst cyclone for nearly 20 years battered Bangladesh. Officials said yesterday they feared the death toll would be as high as 5,000, Reuter reports from Dhaka.

State-run Bangladesh televi-sion said at least 400 people wera confirmed dead and

reports were still coming from remote areas pounded by a

huge tidal wave in the storm's

It said more than 200 people diad in the Khulna district

alona and 102 bodies had been

The cyclone, the worst since 1970 storm which killed half

a million people, also devas-tated coastal areas of India'a

West Bengal state leaving at

least 30 dead according to lat-

The storm roared across the

Bay of Bengal on Tuesday

night, sinking a Singapore-reg-istered freighter with a crew of 19 as it raced for safety.

Officials in Bangladesh's main port of Chittagong said the Pumori sent out a distress

signal before it sank about 200

km from the coast. Lloyds shipping agents in London said a search was still

going on for the missing crew-men. It said earlier reports that

they had been rescued by a British vessel, Tenacious, were

Mr Kazi Firoze Rashid, Ban-

gladesh's State Minister for

Relief and Rehabilitation, said

at least 100 people had been drowned by a tidal wave in

withdrawal of purchasing power" from the town's white-owned shops which, he says, are dependent for 80 per cent of their trade on black consum-

Public meetings are being

held in both communities to

decide on these and other acts to demonstrate the anger of

the 172,000 blacks and 40,000 Coloured, or mixed race, people in the area at being excluded from municipal sporting, recreational and other facilities by

the recently elected Conserva-tive Party-dominated town council led by Mayor Beyers de

Klerk. Choosing his words carefully

to avoid the risk of having the plans stymied by the emer-gency laws which, for example,

outlaw consumer boycotts or political demonstrations, Mr

Mofokeng yesterday explained how local black taxi operators

have agreed to lay on special trips to take shoppers to other white towns in the area such

as Germiston, Alberton and

Benoni which do not have Con-servative Party councils dedi-

Bhola, Patuakhali and Barisal at least 500 small fishing boats, districts while flying debris officials said.

Boksburg takes petty

recovered.

est reports.

mistaken.

400 dead as cyclone

sweeps Bangladesh

also hit a record, increasing to A\$93.26bn from A\$90.01bn

three months earlier.
On the foreign exchange markets the Australian dollar climbed to 63.7 on a trade weighted basis (May 1970 = 100), the highest level since October 1985. Against the US currency it broke through the 88 US cents mark before easing back.
Separate speeches yesterday
from Mr Paul Keating, the Federal Treasurer, Mr Bob John-

killed another 100 in Satkhira.
"The grim picture is beginning to emerge," be said as the casualty toll mounted.

Weather officials said the cyclone, with wind speeds of 165km per hour, was more

powerful than the 1970 storm. But they expected fewer casualties because the Govern-

ment had issued cyclone warn-

ings and had evacuated people from coastal areas well ahead

of the storm'a arrival. Bangla-

desh, one of the world's poor-est nations, is still seeking international aid to repair the

damage caused by floods in August and September which killed 3,000 people and laid

waste huge areas of croplands. Relief officials said they

were still waiting for full reports from areas hit by the tidal wave.

may have been killed and \$1m

worth of property destroyed," one official said,

in Calcutta, capital of West Bengal, officials said at least 30 people had died in tha storm

and 24 fishermen were still

They said thousands of peo-ple were homeless after the

storm swept away their mud

The storm also closed down

Bangladesh's second port of Mongla, officials said, forcing

three lighters aground and cov-

ering jetties with 1m of water. The storm disrupted telecom-

munications and power sup-plies in at least 16 towns and four coastal districts and sank

The man at the centre of the Bokshurg storm is Mr Beyers bekshurg a chunky weightlifting the storm in t

which are big local employers.
The mayor finds inspiration, solace and justification in his well thumbed black bible. His

favourite quote is from Mat-thew 15, verse 24 "I was sent only to the lost sheep of the house of Israeli." He declines to elaborate on these some-

what anigmatic words. But pushed, he concludes: "I am

prepared to sacrifice my life, my wife, my children and my

business rather than stand

aside from what I believe to be

"We suspect hundreds of

ston, the Reserve Bank Governor, and Mr Bernie Fraser, Secretary of the Treasury, all repeated the Government's view that its recently-tightened monetary policy was appropri-ate to the task of moderating overbeated domestic demand. As if to confirm their prog-noses, the Westpac Bank-Mel-bourne Institute leading index of economic activity, also pub-lished yesterday, dipped slightly for September to

record the first decline since January. But analysts warned that the economy was likely to the early months of 1989.

Looking further ahead, how-ever, Westpac, the largest of Australia's "big four" trading banks, yesterday predicted that the strength of the Australian dollar and higher interest rates would reverse the trend towards higher corporate prof-

Pre-tax profits of Australian companies have risen by more than 40 per cent since 1986, belped by higher commodity prices, declining real wages and lower financing costs, the bank said. But the stronger dollar was eroding the value of foreign earnings while higher interest rates were lifting financing costs. The Government was also

urged yesterday to continue the programme of micro-economic reform it bad already begun. The message came in the annual report of the independent Committee for Economic Development of Australia (CEDA), a research-oriented organisation of husinessmen and academics, and coincides with a growing belief that the Government is dragging its feet over further atructural

CAIRO BECOMES FOCUS OF DIPLOMATIC ACTIVITY

Egypt likely to attend Arab summit

EGYPT WOULD be included in any forthcoming Arab summit, a top adviser to President Hosni Muharak predicted yes-terday. Dr Osama al Baz, the head of Mr Muharak's political office, was briefing reporters after talks between the Egyp-tian President and Jordan's King Hussein. Cairo has been the focus of a

rash of diplomatic activity in the past week as Arab leaders seek to build on a new, more seek to build on a new, more moderate line agreed on by the Palestine Liberation Organisation in Algiers two weeks ago.
King Hussein, who was accompanied by a team of senior advisers, is spending two days in Cairo conferring with Mr. Muharak This continwith Mr Mubarak. This contin-nes the pattern of frequent contacts between the two men.

They are certain to have discussed an Arab stategy to respond to the calculated snub delivered at the weekend by Mr George Sbultz, the US Sec-retary of State, who was instrumental in refusing Mr Yassir Arafat, the PLO leader, a visa to visit New York to address the UN General

Jordan sponsored a UN resolution, adopted by the General Assembly's legal committee on Tuesday, calling on the US to

CHINA'S sonthern province of

Yunnan, devastated by an

earthquake three weeks ago, was hit by another major quake yesterday, the official

Reuter reports from Peking. Some houses damaged in the

initial quake collapsed and sev-

eral people were injured, according to initial reports from remote hill areas near

Burma, the agency said.

The first quake on November 6 measured 7.6 on the

open-ended Richter scale, kill-

ing at least 730 peopla and

destroying about 400,000 houses. Yesterday'a after-shock

was smaller at 6.7 but still

powerful enough to cause con-

The agency said the town of Zhutang In Lancang county bore the brunt of the initial

Tens of thousands of people

have been living in temporary shelters since the first quake

and have been warned of serious after shocks by Chinese

Mozambican rebels

in S African spy link

seismologists.

SW China hit

by second

earthquake



President Mubarak (left) and King Hussein (right) pass a military band in Cairo yesterday

admit Mr Arafat to the UN debate. Washington has said their decision on the visa was

Arab states led by Egypt and Jordan are almost certain to press for the annual General Assembly debate on Palestine to be moved to Geneva. December 13-15 has been tentatively set for the special session.

Pressure for Egypt's re-admission to the Arab League appears to gaining momentum. Gulf states have been openly calling for Egypt's suspension from the peak Arab organisation to be lifted. Only Syria, Libya and Lebanon have not yet resumed rela-tions with Cairo. Most Arab states suspended relations with Egypt in 1979 following the signing of the peace treaty with Israel.

The unexpected visit to Cairo earlier this week of President Saddam Hussein of Iraq was widely seen as an acknowledgement of Egypt's central role in any Middle East peace initiative following the unveiling of a new PLO politi-cal programme in Algiers.

An emerging "moderate" Arah axis of Egypt, Jordan, Iraq and the PLO is anxious to seize the initiative in regional peacemaking and to exert pressure on the new US adminis-tration to focus quickly on the Arab-Israeli conflict.

Cairo has been encouraged by signs that Syria may be softening its attitude towards Egypt, hut Egyptian officials doubt there will be any quick resumption of relations. I do not expect anything to take place in the near future," Dr al Baz said yesterday.

Thais end lumber concessions

MR Chatichai Choonhavan, Thailand's Prime Minister, suspended government conces-sions to lumber companies indefinitely yesterday after uncontrolled logging was blamed for many of some 370 deaths in storm-ravaged vil-

In two districts of Nakhon Sri Thammarat province, where 267 of the 367 bodies were found, mnd, logs and trees cascaded down denuded hills, slamming into houses and burying villages. The disaster affecting 12 southern provinces occured during a week of heavy rains starting

November 19. Officials said that 385 people were missing and 2,057 injured in the worst natural disaster in Thailand in recent decades.
"We will reduce or revoke the concessions as much as the Thai law permits and punish poachers and violators

severely," said the Govarn-

It said that Burma, Laos,
Malaysia and Brunei should
supply all of Thailand's lumber
needs.

Permits already given were immediately suspended and companies involved in illegal logging will have their con-tracts terminated said Mr

Sanan Kachornprasat, the agriculture and cooperatives minis-ter. A total of 301 concessions are affected, the Forestry

Department said.

Many foreign tourists have cancelled thair trips to the south, usually popular for its beautiful beaches and islands. The Mateorological Depart-

ment predicted more heavy. rain the next few days. Offi-cials said the storm damaged 6,924 hectares of farmland and destroyed 13,270 homes and 337 government offices. Countries that have provided or pledged emergency aid include the US, UK, Canada, Australia, West Germany and Japan.

Iraq says it has tested anti-missile missile

IRAQ yesterday announced that it had successfuly tested a domestically manufactured,

anti-missile missile, The Iraq News Agency reported, AP reports from Baghdad. The agency said that Mr Husseln Kamel Hasan, minister of industry and military indistrialisation, reported the successful test to President Saddam Hussein. He said that a series of tests took place November 19 and called the

development of the missile "a great achievement of international calibre." Mr Hasan, a son-in-law of the president, said that the new surface-to-air missile inter-cepted a medium-ranga, ground-to-ground target mis-sile. "The missile was com-

pletely destroyed before falling to the ground," the minister told the president in a tele-Iraqi television screened a film of the missile test yester-day evening. It showed launching of a ground to ground missile, its interception by a surface to air missile and a

midair explosion in which both were destroyed.

Mr Hasan said that the mis-sile was developed by an Iraqi team under Maj Gen Amer Mohammed Rashid, an engi-neer who heads the military industry openisation.

industry organisation.

He gave no technical details about the new missile's range or destructive capability. Western military analysts in Baghdad said that the new

Iraqi missile could represent an important step forward in Iraq's effort to develop its own military industry.

The Iraq News Agency, said that the president, on receipt of the news, named the new Iraqi defensive missile the

Faw, in extreme southern Iraq was the sight of bloody battling during the eight-year Iran-Iraq war which ended in a cease-fire last August. The peninsula was taken by Iranian troops in February 1986 but recaptured in April, 1988 in a lightning Iraqi assault which gave an important boost to Iraqi morale. Syrian troops raid Beirut arms dumps

SYRIAN troops yesterday raided suspected weapone depots in three neighborhoods of Moslem west Beirut following six days of clashes between rival Shiite Moslem militias that killed 40 people and wounded 87, AP reports from Beirut.

The move, as described by the Syrian command, was aimed at declaring west Beirut a "demilitarized city."
The Syrians intervened mili-

tarily in west Beirut on February 22, 1987, with the declared objective of ending three years of militia anarchy marked by killings, kidnappings and rob-beries in the capital's Moslem

Yesterday about 200 Syrian troops in two trucks and an armoured personnel carrier confiscated two long-range rifles huried in the Mossaitbeh district, witnesses said. The operation was launched

on Monday hy the Syrians after almost a week of clashes between the Iranian-backed Hezbollah and the pro-Syrian Amal in south and west Beirut.

Sino-Soviet thaw to be hastened by visit By Quentin Peel in Moscow

THE FIRST visit by a Chinese Foreign Minister to Moscow in more than 30 years begins in Moscow today, when Qian Qichen arrives for talks with his Soviet counterpart, Mr Ednard Shavardnadze, intended to prepare the way for a Sino-Soviet summit.

The thaw in relations

between the two Communist snperpowers has accelerated in the past few months, with Peking finally responding to repeated Soviet overtures for a normalisation.

normalisation.

Li Peng, the Chinese Premier, has confirmed that a summit between Mr Mikhail Gorbachev and Deng Xiaoping, the supreme Chinese leader, could take place in the first half of next year. Mr Gorbachev has himself amounced his enthusiasm for such a his enthusiasm for such a

meeting.
The two foreign ministers will seek to agree on further ways of raducing tension along their huge common border, which remains a key Chinese precondition for a

resumption of full ties.

The two sides have already reached a consensus on border demarcation for most of the 4,200km eastern section, from North Korea to Mongolia, and work has now begun on defin-ing the 3,000km western sec-tion, from Mongolia to

China has been demanding a withdrawal of Soviet troops from the border as one of three preconditions for the normalisation, two of which have already been partly met.

One is a withdrawal of
Soviet troops from Afghanistan – due to be completed by
next February 16, although the Chinese minister seems certain to express concern that tba process bas been suspended by Moscow in protest at continuing Pakistani and US supplies to the Afghan opposition guerrilla move-

The second Chinese precondition, a withdrawal of Vietnamese troops from Kampuchea, is one on which Qian Qichen is likely to seek further assurances from Moscow, to provide some sort of timetable. The Soviet side is certain to insist that it cannot provide or guarantee a timetable, which is the responsibility of Vict-nam, but will continue to use its good offices to promote a: Kampuchean peace settlement. In an interview published in Moscow, Mr Shevardnadze said the ministerial talks were

songht "to belp arrange a full-scale Soviet-Chinese dialogue (concerning) not only hilateral relations hut also international issues".

Speaking to the government newspaper Izvestia, Mr Shev-ardnadze said last week that the two sides would discuse the question of lowering mili-tary tension along our com-mon border, as well as confi-

dence-building measures and military detente in Asia and the Pacific". Mr Gorbachev has been seeking to build a distinctive Asia-Pacific arm to Soviet for-eign policy, to balance the US-Soviet and European initia3.5. 3

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geskini.

tives he has been pursuing in recent months.

Mr Shevardnadze said that
the deterioration of relations

between Peking and Moscow in the 1960s had "provoked such bitter feelings in our society, and I am sure, in Chinese society too. There is a great desire for these relations to return to normal". Recent mouths have seen a

variety of economic and trade links to underline the thaw. The Bank of China was recently involved in a \$50m loan to Moscow as part of a five bank consortium, and Soviet exporters have been dis-playing their technology prod-ucts at Chinese trade fairs. A protocol has also been signed to resume construction of a railway

US-UN relations boxed in by Arafat visa ban

in S African spy link
A FORMER Mozambican rebel leader who defected last week said yesterday that South African and West German intelligence services maintain links with the insurgents in defiance of their governments' policies, AF reports from Maputo.

In Chanjunja Joao, former official of the right-wing Mozambican National Resistance, said the rebels response to a South Africa Mozambique rapprochement was to "work to increase links with the South African military vervices."

Mr Joao also said the rebels received assistance from members of a West German secret service unit.

By Edward Mortimer in New York

LIKE ACTORS in a Greek tragedy, the US Administration tragedy, the US Accounts and the UN General Assembly are squaring up for a conflict which neither wants and which will damage both, but are speaking from a script which both seem powerless to

Last night, the Genaral Assembly was due to pass, by an overwhelming majority, a resolution which "deplores the failure by the host country" (that is, the US) to grant the entry visa requested hy Mr Yassir Arafat, the chairman of the Palestine Liberation Organisation. Mr Arafat had hoped to address the Assembly today at address the Assembly today at the start of its annual Pales-tine debate, using the UN as a platform to explain the decisions taken last month in Algiars by the Palestine National Council and to

advance his campaign for an independent Palestinian state in the West Bank and Gaza Strip.

The resolution urges the US to reconsider and reverse its decision" – something which Mr George Shultz, the US Secretary of State, has made clear he has no intention of doing - and requests the Secretary General "to submit a report on the developments in this matby tomorrow.

It is, therefore, virtually cer-tain that next week the Assem-bly will decide to hold the session in Geneva, probably from December 12 to 16, to enable Mr Arafat to speak. The US has said it has no objection to this procedure, but inevitably it will widen the gap between the US and the UN politically, as well as geographically.

The US and Israel were alone in voting against the resolution in the Assembly's Sixth (Legal) Committee on Tuesday night. Britain abstained, while all 11 other members of the EC were among the 121 states voting in favour. It seemed probable that this pattern would be represted in the planes and the repeated in the plenary session

repeated in the plenary session last night.

Sir Crispin Tickell, Britain'a permanent representative, told the Sixth Committee that Britain was abstaining because the Arab sponsors of the draft had been unwilling to accept language which "without affecting the substance" would have shown "respect" for the US. It is understood that these suggestions, which Sir Crispin suggestions, which Sir Crispin put to the Arabs, with the sup-port of fellow EC members, included substituting the words "expresses disappointment at" for "deplores." Sir Crispin stressed, however, that in Britain's view Mr Arafat

should have been allowed to come to New York and "this is the legal obligation of the United States".

He explicitly endorsed the opinion given by Mr Carl-August Fleischauer, the UN legal counsel, who had rejected the US argument that the US has the right "confirmed by IN. the right, "confirmed by UN practice," to exclude individuals it holds responsible for terrorism or other acts of aggression against US citizens.

Mr Fleischauer said the UN had been markedly improving. Holds "never acquiesced in euch been previous cases where the UN Secretariat bad "not insisted" because "the request. insisted" because "the request-ing state itself, for reasons of its own, did not pursue the lat-

In the present case, he pointed out, the US had not even attempted to claim that Mr Arafat's presence at the UN decision.

"would per se in any way threaten the security of the United Stataa" or that ha might, once in the US, "engage in activities outside the scope of his official functions directed against the security of the Host Country."

of Mr James Baker to replace him in the new Administra-tion. Mr Baker's freedom of manoeuvre in dealing with the Middle East, and in particular with the PLO, is liable to be

Reuter reporter beaten after West Bank story

undercover army units in the occupied West Bank was assaulted by unknown men outside his house this week, Reuter reports from Jerusa-

Mr Steve Welzman said at least two men attacked him story. least two men attacked him late on Sunday night after be parked his car outside his house. One smasbed his face into the car roof and beld his head while another hit him in the

one minute, Mr Weizman circuited.

until Tuesday. Police regis- report.

A Reuter correspondent whose tered a complaint on tha press card was suspended by incident. The Government Press because of an article on Office last week returned the Office last week returned the press cards of Mr Weizman and Mr Paul Taylor, Reuter's chief

correspondent in Israel, after a month'e suspension because of an allaged breach of military censorship with the undercover units

The assault on Mr Weizman followed an unexplained incident two weeks ago in which a his house. One smasbed his face into the car roof and beld his head while another hit him in the kidneys.

The assailants said nothing.
They made no attempt to take money or property and ran off after about one minute. Mr Weizman dent two weeks ago in which a car belonging to Mr Taylor and parked outside his house was damaged. The car battary exploded on lgnltion and a length of wire found underneath the engine suggested it had been intentionally short-

There was no proof that Mr Welzman, in a state of either incident was In chock after the beating did not any way related to the report it to Israeli police controversy over the Renter

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Brazil clashes with World Ecuador to Bank over nuclear energy

TALKS between Brazil and the World Bank are deadlocked over conditions attached to a controversial \$500m power sector loan to which a further \$1.650n in financing is linked.
The row centres on Brazil's decision to absorb its nuclear

energy programme into its strategic plan for electricity supply—a move the Bank claims would breach its condi-tion only to finance the most economically efficient develop-

The power sector loan, the second of two \$500m tranches aimed at reordering the finances of the heavily-in-debted Brazilian state company, Electrobras, had been near, to completion last Sep-tember. However, it was then that Brasilia announced plans to take the state nuclear com-pany. Nuclebras, under Elec-trobras's control.

This move met immediate objections from the bank on the grounds that new assess-ments would have to be made as to the "fechnical, economic, financial and environmental" efficiency of the overall plan. In fact, the Bank - increas ingly under pressure from environmentalists – has never made a loan to any country's

US incomes rise

1.8% in October

US PERSONAL incomes rose 18 per cent in October, boosted by heavy subsidy payments which raised farm incomes by more than 75 per cent, and large production bonuses to

car workers, writes Anthony Harris in Washington

The Commerce Department said the higher incomes helped

said the higher incomes henced boost the savings rate to 5.25 per cent, the highest figure since the 5.4 per cent one year ago, in the wake of the stock market crash.

Consumer spending

remained subdued, rising by 0.3 per cent in real terms over September, which had shown a

0.4 per cent fall from the

August figure in money terms spending rose by 0.8 per cent the implied rise in consumer prices was 0.5 per cent — an annual rist of 6.2 per cent

- for the second successive

270

Brazil's crippling inflation rate edged down to 26.9 per cent in November from 27.25 per cent the previous month, writes Ivo Dawnay.

This marginal improvement has failed to reach the 26.5 per cent target rate set in the tripartite

social pact, agreed last month between government, unions and employers. Nevertheless, it offers the government some relief after alarmist forecasts of more than 30 per cent. Under the pact, union

ders have agreed to wage indexation in return for business observing a ceiling of 26.5 per cent this month on price rises for essential goods and services.

nuclear industry. Furthermore, there are serious doubts as to the viability of Brazil's nuclear programme that has cost bilfions of dollars for little return in electricity generation.

But the official objection of the Bank is focussed on the judgement that developing nuclear power is not the most efficient use of scarce resources for Brazil. Taking a "least-cost" approach to restor-

ing Electrobras's financial outlook was "the fundamental lynch-pin" to approving the

loan, the Bank said yesterday. The disagreement has left some difficult choices for Brazil. It can accept a humiliating climbdown, or stick to its position and attempt vainly to prove the value of a nuclear programme most analysts regard as too costly. A payment under the loan

was a necessary condition for commercial banks to disburse the second of three drawdowns - which together would total \$5.2bn in new loans — under a debt rescheduling accord agreed mid-year and activated in September. This drawdown cannot now be made before next year.

originally scheduled for December with the final \$600m drawdown due later next year. Also at stake is a further \$450m in Japanese co-financing for the Brazilian electricity sec-tor, dependent on agreement on the World Bank's criteria. It is possible however that the terms of the rescheduling agreement could be adjusted to allow the drawdowns to take place on the back of other World Bank lending.

Alfonsin and Sarney step closer to common market

By Gary Mead in Buenos Aires

Argentina and Jose Sarney of Brazil have signed further accords aimed at achieving a common market between the two countries by 1998. They also signed the "Ezeiza Declaration", reaffirming their

nuclear energy development.

The two have already agreed to co-operate in high technology, preferential treatment in farm and industrial spheres. improvement of energy and transport links, and to belancing trade so that neither would become a specialised producer of goods for the other.

intention to work together on

They have now agreed to remove all tariff and non-tariff barriers over the next ten years and to set up a joint Government committee to oversee

PRESIDENTS Raul Alfonsin of harmonisation of economic policies. The agreements have to be approved by the congresses

of both countries. The agreement, which continues moves to create a Latin American common market, is of particular interest to Argentima as it has a trade deficit with Brazil of \$400m. To help redress this the accord promises a gas pipeline to Brazil to supply 3m cu metres of natural gas a year. On nuclear energy, the two

countries will continue to exchange research and infor-mation, with a view to promo-ting their capacity to develop their nuclear abilities. Presi dent Sarney yesterday visited Argentina's secret nuclear enrichment plant at Ezeiza, 20 miles from Buenos Aires.

resume talks with creditors

By Stephen Fidler. Euromarkets Correspondent

ECUADOR'S foreign debt negotiators are to meet the country's leading commercial bank creditors today in New York to discuss a possible new money and rescheduling pack-age. Negotiations with banks broke down earlier this year. The Ecuadorean team, headed by Mr Jorge Gallardo, the Finance Minister, is due to meet a 14-bank steering committee today after preliminary discussions yesterday with representatives of the two leading banks, Lloyds and Chase Man-

hattan. Ecuador has arrears to bank creditors estimated at \$800m by the end of this year. After commitments to a \$350m new money loan failed to reach the target, Ecuador aborted negotiations with banks in the sum-

In a surprise move in October, Mr Gallardo said that be would approach the Interna-tional Monetary Fund for a standby credit to support an emergency economic plan announced on August 30. He also said talks to renegotiate its \$6bn of medium and long-term debt to banks would

start in November.
Bankers estimate that Ecu-ador needs about \$800m in new funds to cover the years 1987-1989 and some believe that new funding on this scale would require, not only some kind of IMF accord, but a wide-ranging menu of options of creditors, including the opportunity for debt swaps and an option to capitalise interest.
US banks have vigorously opposed interest capitalisation

as an option and have successfully blocked its inclusion in the giant rescheduling deal recently settled for Brazil. Argentina's debt negotiators, headed by José Luis Machinea, the central bank president, are due in New York on Monday to meet its main bank lenders, headed by Citi-bank. Bankers expect they will presented with a proposed term sheet from the Argen tines. Mr Machinea is also expected to visit Washington for talks with officials from the IMF and World Bank.

Mystery surrounds shuttle's cargo

The military is making greater use of NASA's vehicle to launch its satellites, but for how much longer, asks Peter Marsh

A N EERIR guessing game has started among US space analysts over what the next flight of the US space shuttle fleet — which is due to start today

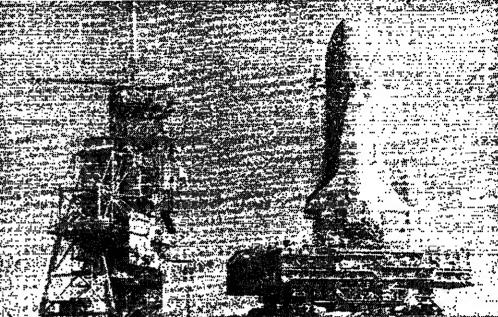
- is carrying into orbit.
There has been speculation that Atlantis, one of the three vehicles in the fleet, may be about to launch a new genera-tion of spy satellites, denoted the KH-12 series, that would be able to spot objects on the Earth's surface less than one foot in diameter.
The US National Aeronan-

tics and Space Administration, the shuttles' operator, is, however, saying nothing about the payload other than it is a secret military satellite, owned by the US Defence Department. The military nature of the flight is a prelude to what will be a large involvement of the Defence Department in shuttle missions over the next two years. Of the 18 shuttle voy-ages scheduled for 1989 and 1990, no fewer than seven will be missions on behalf of the

Pentagon. This interest by the Defence Department in using the shuttle may not, according to observers, last for very long. They claim that sections of the military establishment are dis-illusioned with the shuttle fleet due to its unreliability and high cost.

The official silence over the Atlantis flight - which is likely to be repeated for other shuttle trips involving military exercises - is in startling con-trast to the hubbub of publicity stirred by the most recent space-shuttle flight two months ago. On that occasion, which

marked the return to service of the shuttles after nearly three years of inaction caused by the Challenger disaster of January



The US space shuttle Atlantis being rolled out to its launch pad

1986, Nasa went out of its way to tell the world every conceivable detail about the mission. Nasa is slightly embarrassed about its inability to be more forthcoming about the latest flight, which is expected to last

about three days.
One Nasa public relations officer said he would probably be authorised to say nothing at all about the mission during its entire duration – other than to say that Atlantis had taken off and landed.

The lack of details about the flight, which is carrying a crew of five military officers, is justi-fied on the basis that the Pentagon wants to minimise the amount of information on its space hardware that it gives away to the Soviet Union.

Professor William Burrows of New York University, who is an authority on spy satellites, pointed out, however, that it should be possible to deduce the nature of the payload within just a few hours after

This was on the basis that an analysis of the orbit in which the satellite ends up - which amateur space watchers can find out about fairly easily using their own tracking equipment - would reveal which type of payload it was. Prof Burrows said he believed the payload might be a KH-12 photographic spy satellite which would fly in an orbit about 150 miles above the Earth that would take it over

most of the Soviet Union. The KH-12 series of vehicles, being built by Lockheed, are replacements for an earlier generation of so-called KH-11 spy vehicles

built by TRW. KH-12 satellites are said to have a better resolution than their predecessors and also to be able to "see" in the dark using advanced infra-red sen-

r John Pike, associate administrator for space policy at the Washington-based Federation of American Scientists, disagreed about the likely identity of the payload.

He said be thought it was a new type of surveillance satellite, code-named Lacrosse, which, rather than take photographs of objects on the Earth, fires radar waves at them and gathers the reflections. This method can be used to build up extremely detailed radar "pic-

One of the jobs of Lacross which could be expected to fly in an orbit some 3,000 miles above the Earth, would be to collect information about possible military targets in the

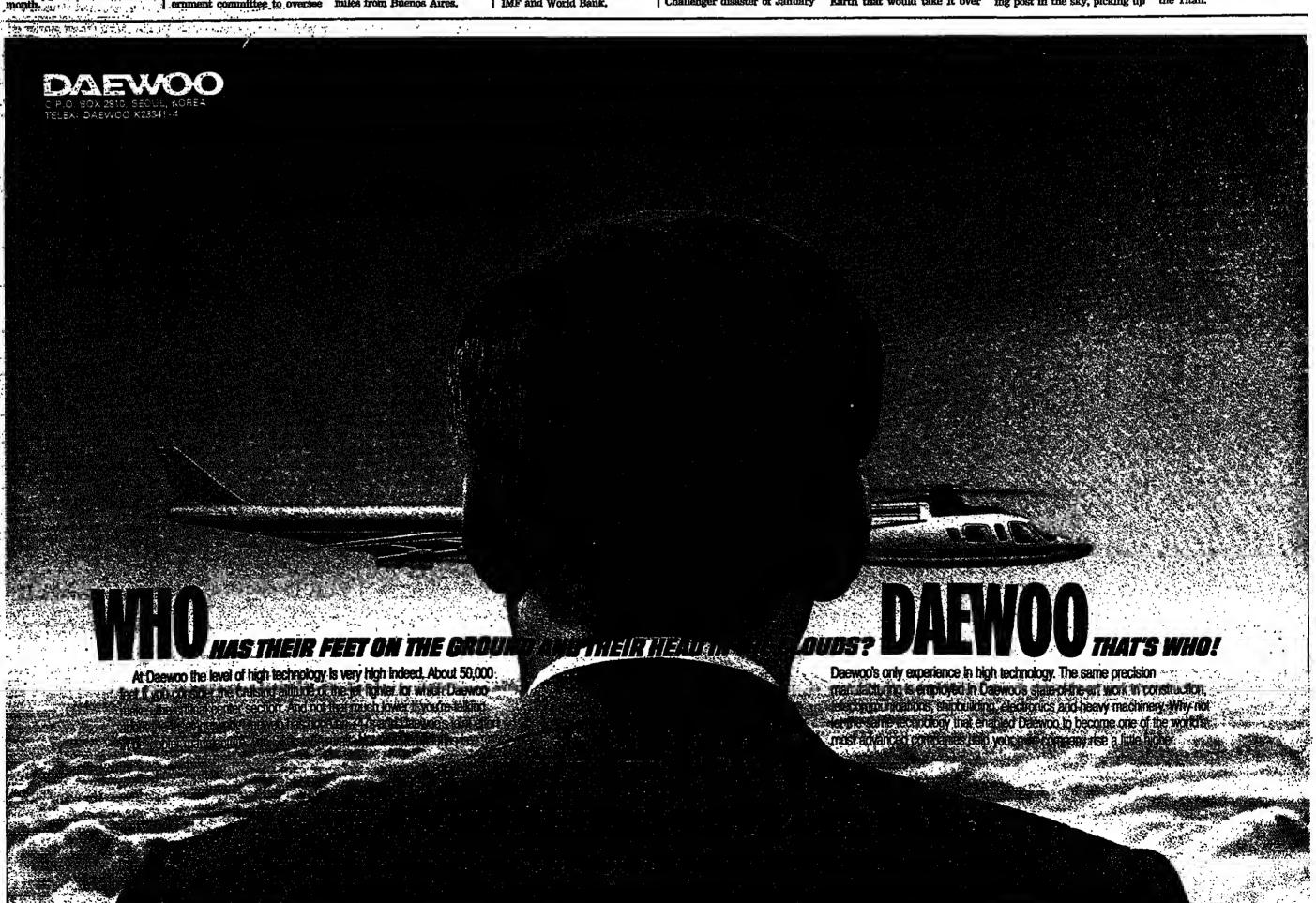
A third possibility, so observers believe, is that the mystery payload is neither Lacrosse nor a KH-12 but a third type of vehicle belonging to the Magnum series. The job of Magnum is to act as a listening post in the sky, picking up

electronic signals that might divulge secrets related to the military activities of the Soviet Union and other countries.

Compared to unmanned. expendable rockets such as the Titan and Atlas-Centaur, the shnttle fleet has some advantages to operators of military satellites because a crew can intervene to correct any minor defects involving these payloads before they are ejected from a shuttle's payload bay.

Furthermore, a shnttle can lift into an orbit some 200 miles above the Earth a pay-load of roughly 20 tonnes, far in excess of the capability of conventional expendable rockets used by the Pentagon such as the Titan and Atlas-Centaur. Against this, however, is the military establishment's grow-ing disenchantment with the space-shnttle fleet due to its lack of reliability - as was starkly manifested by the Challenger accident - and high

According to Professor John Logsdon, a space policy expert at George Washington University, the large numbers of military-related shuttle flights over the next two years are due to the past interest by the military in the shuttles' capabilities. The number of Defence Department missions would fall off rapidly into the 1990s. said Prof Logsdon, as it started to launch more of its satellites using conventional rockets like



1980

THE hundred or so trade ministers due to meet in Mon-treal next week for their midterm review of the Uruguay Round of multilateral trade liberalisation have until 6pm on

Friday to keep the spirit of liberal trade alive.

By that deadline removal men are due to move into the city's lavish congress centre and turn it into a discotheque for an altogether different kind of meeting. At that point, agreement or no agreement, the ministers will have to

By then, the decisions they have taken, or failed to take, will have signalled to the world whether the review has succeeded in its basic objective of shoring up the multilateral trading system by giving a fresh political impetus to the Round itself.

If there is one thing, however, on which most partici-pants are agreed in advance, it is that the spirit of brinkman-ship which has characterised preparatory talks over the past few weeks makes next Friday's outcome very difficult to call.

The Montreal meeting comes

for industrial nations

But for many, tha importance of the Round in general, and of the Montreal meeting in particular, is that it comes against the backdrop of omi-

covers many of the develop-

mental compatibility issues that have bedevilled the talks

so far because of the US reluc-

tance to take them on board.

This does not mean that the

US has agreed to make conces-

sions to developing countries as part an eventual agreement,

but it does mean that several issues such as access to mod-ern technology and preferen-tial access to developed coun-

try markets for developing

countries are now a legitimate

part of the negotiating

vices maze in Montreal could

depend heavily on progress in other areas of the talks such as

agriculture. Only through such

a process of give-and-take will it become clear how many of

the 130 points of difference are

The more optimistic believe.

however, that progress made

so far may permit the assem-bled ministers at least to

endorse the document as the basis for genuine future negoti-ation, thereby giving this part of the talks some fresh political

impetus. Then, over the next two years, a basic framework for liberalising trade in ser-vices could finally begin to

Little progress is meanwhile

expected in Montreal in the

separate area of trade-related

Though most participants

are agreed that investment

rules such as local content and

export performance require-

ments do distort trade, there is

as yet almost no agreement on how to subject investment to

Gatt rules. Developing countries remain reluctant to see

their sovereignty on invest-ment policy whittled away in such a way that could give

what they perceive as carte-blanche to multi-national cor-

As e result ministers are

expected to do little more than

targe negotiators to keep talking, though such a flat result has assumed a certain irony because of the way in

which local content has recently surfaced as an issue between developed countries, for example in the European argument about Nissan cars

argument about Nissan cars produced in the UK.

Though they acknowledge that progress in this area has been very slow, some trade diplomats also agree that local content and other investment related measures could become

one of the thorniest practical problems with which they will have to deal in the next few

investment measures.

take shape.

porations.

Finding a way out of the ser-

Above all, there is little sign of nous strains in the trading sys-tem despite two years in which Signs of progress on yardsticks for liberalising services

GETTING to grips with the rapid growth of international trade in services is widely recognised as one of the most ambitious and important objec-tives of the Uruguay Round. The degree to which that ambition can be fulfilled now seems likely to be carried right up to the line in Montreal.

The services issue was forced on to the agenda by the US with the strong backing of its own business community which wanted a lever to force open developing country mar-kets to its own service industries. Supporters of the move. which would affect hitherto uncovered sectors such as banking, insurance and telecommunications, also argued that a mandate to deal with services trade was essential if Gatt was to adapt to the realitactical and how many represent.

Yet the sheer complexity of the part of one or more particities of the modern trading sys-

meshing traditional policy yardsticks for trade in goods to the amorphous markets in services, coupled with lingering hostility to the idea on the part of developing countries such as India and Brazil, also provoked general scepticism about the US goal of reaching a framework agreement in Montreal on the principles which should apply to liberalisation of trade

After a tense round of late night negotiations in Geneva last week, however, negotiators feel they have come far closer to the stage where serious bargaining could begin than most previously dreamed

What they have produced is a draft accord of bailing com-plexity containing no fewer than 130 points of difference which ministers would need to which ministers would need to reconcile to complete. The risk now is that the ministers will simply find themselves unequal to the struggle and consign the work to oblivion. The opportunity is to find a way of using the draft to push the negotiation forward over the pert two years.

the next two years.

Trade diplomats say that the key point about the document is that it covers all the issues that would need to be included. in a framework agreement on liberalising services even though it offers no answers as to how they should be incorporated into a final accord.

The fact that all the issues are now defined — a difficult

are now defined - e difficult are now defined — e difficult process given that negotiators started from scratch two years ago — and officially on the agenda has meant, however, that ministers will have e document before them in which, for the first time, everybody feels they have a stake.

In particular, the document

and the EC on farm reform which is now widely regarded as the key to progress on other fronts as well.

at the half-way stage of the Uruguay Round which was launched in Punta del Este, Uruguay, in September 1986. The Round itself is widely billed as the most ambitious undertaken gives the founds. undertaken since the founda-tion of the General Agreement on Tariffs and Trade (Gatt) 41. Not only does it aim, for the

first time, to subject agricul-ture and textiles to basic Gatt prescriptions; a range of new issues such as trade in ser-vices, intellectual property rights, and trade-related investment measures have been added to the agenda; and, for the first time, developing countries are being expected to play a significant role in what, until now, has been largely an affair

ada, ministers know some daunting hurdles lie ahead. **Tropical** products in the balance

world exports have grown in volume by a respectable 5 per cent or so. It is also being con-vened amid increasingly loud

complaints from developing countries that, once again, their aspirations are being

The new US trade legislation

and its bilateral pact with Can-ada, worries about the tough stand likely to be taken by the

new US Congress on trade and the budget deficit, Europe's

ambivalence about its trade policy after 1992, its insistence on reciprocity and its tough

new anti-dumping rules, Japan's continuing export sur-plus and its reluctance to open

its market to imports of rice: these have all combined to undermine confidence in the commitment of the main trad-

ing powers to the maintenance

of a liberal trading system.

Montreal offers the political leaders of Gatt an opportunity to renew that commitment in a convincing way, and publicly to discover protectionism and precionalism that could fract.

regionalism that could frag-ment the system. But even as

they prepare to head for Can-

TROPICAL products are an item on which it is imperative that trade ministers produce a result at Montreal. Failure here would convince the devel-oping countries that their interests are being disre-

Negotiators are at the point of presenting the ministers with a deal which could come into force in January, thereby fulfilling the ministers' pledge that this item should receive special attention in the Uruguay Round.

A question mark hovers over US insistence on linking concessions on agricultural tropical products with prog-ress in the agricultural talks. The Americans have hinted that they can be flexible on this point in Montreal, But what if the agricultural talks

breek down completely?
There would then be a danger that a potential agreement on tropical products could disappear in the subsequent dis-

Some 80 per cent of all tropleal products originate in devel-oping countries. They have been trying in Gatt for more than 20 years to secure freer access for their exports to the markets of industrialised

Under discussion are seven categories of products, ranging from coffee, cocoa and tea through spices, oilseeds and vegetable oils to tobacco, rice, tropical fruits and muts, rub-ber, jute, hard fibres and tropi-

Worldwide trade amounts to nearly \$60bn. The result at Montreal will not reach the "fullest liberalisation" set as the objective for the Round but it should go a considerable way down this path.

The European Community has set an example by offering to abolish or cut tariffs and remove other restrictions on imports valued at some ECH 20hn (\$17hn) a year.

Japan has made a similar. although less comprehensive offer. Both have made their offers conditional on other big trading countries, notably the US, following suit.

One difficulty is that BC concessions on tropical products have already been made. Now barriers must be lifted not only to raw materials but to semi-processed and pro-cessed goods, exposing indus-trial country manufacturers to stronger competition.

Rowever, officials from the EC, Japan and about a dozen other countries started two weeks ago to assemble e list of tariff cuts and other concessions on which trade ministers could agree to act.

Negotiations on the list will continue in Montreal.

World exports

Growth by volume

By the standards of previous rounds, the Uruguay Round has achieved considerable tech-nical progress at its halfway stage, but much substantial work remains. Key points are examined in the articles below. Admittedly, almost no agreements have been reached in the truly sensitive areas such as how to deal with dumping, subsidies which distort trade, textiles and ways of preventing the proliferation of measures like voluntary export restraints, which fall into the twilight zone between legality and illegality under interna-tional rules. These will have to wait for the second half of the Within potential reach, how-

ever, are some substantive accords that would enhance the functioning of Gatt, improve its dispute settlement mechanism and, possibly, improve the access of developing country tropical products to the rich markets of the North. Taken together with a compromise on agriculture that would unlock the door to meaningful negotiation on farm reform, these could be presented as a reasonable suc-

Getting to that point in four or five days' talks in Montreal begs a number of questions, however, not least important of which is the sheer workload involved. The nearly 90 pages of documents submitted for ministerial consideration in Montreal are spattered with points of difference which they have to reconcile. The 12-page document on trade services alone contains 130 such

web of interlinkages spun between the 15 different negotiating subjects by countries manoeuvring for tactical

Worried that they are being asked to give up rights without being promised anything in return by way of better access to industrial markets, developing countries, whose support is needed for e worthwhile result, are resisting many of the new issues. They have put in balk the talks on intellectual property rights, in which the US in particular but also the European Community of the Eu pean Community and Japan are most keen to obtain a

global agreement.
Threads run from here to the talks on textiles and clothing which in turn have been tied to discussions on tariff cuts. In the preparatory talks for Mon-treal the developing countries have been unexpectedly firm in pressing for e commitment by ministers to dismantle the Multi-Fibre Arrangement, which currently governs trade in tex-

The US has linked an agreepoints.

Then comes the vexations ment that would open up industrial markets for Third progress on agriculture. Some negotiators claim to see e USspun thread between tropical products and intellectual prop-

Unravelling all these strands may require some courageous political decisions in Montreal from developing and industrial countries alike. Wary of the risk of failure, some trade offi-cials have recently begun to warn of the dangers of exces-sive expectations. The mid-term review, they say, is what its name implies, a review and not a make-or-break decisionmaking proce

Yet with old international tensions - over Airbus subsidies, Japanese semiconductors and component dumping -unresolved, and new ones over hormones in meat and local content in cars and photocopi-ers already on the boil betweeen the main trading powers, the world outside the now looking for evidence of much stronger leadership. In the final analysis partici-pants acknowledge that the stakes are too high to let the

reduce existing imbalances

between countries' support

The Cairns group of 13 farm-

exporting nations, which includes Argentina, Australia, Canada, Indonesia, New Zea-

land and Thailand, broadly backs the US long-term objectives but proposes a transi-

This would start with a freeze, followed by 10 per cent annual cuts in production sup-

ports in 1989 and 1990. Negotia-

tors would work out a system

for further regular annual reductions, to arrive eventu-ally at completely free trade in

farm products.

Japan favours action against

export subsidies but is con-

carned about pressure to open its rice market to imports.

which has just rejected a peti-tion from US rice growers for

retaliatory action against

islation, Tokyo will effectively put rice on the table in the

Its negotiators have been trying with little success so far

trying with little success so far to implant in the talks a concept of "basic foodstuffs" which would qualify for special treatment. In November President Reagan said the US was ready to talk about "food security" in Montreal.

However, ministers are milkely to devote much time either to Japan's rice problem or to the increasingly insistent

reminders from developing countries that they have inter-ests at stake in the farm talks.

They have to find some way of breaking the deadlock

cent, or en amount at least comparable to that achieved in

Uruguay Round talks.

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or die a lingering death. Some-how the ministers have to try to ensure that their final communique is not so empty and meaningless that it disappoints those banking on an expanded and resurgent multilateral trading system to counter the creeping spread of protection-

Here, once again, agriculture comes to the fore. More than anything else it has grown to symbolise the conflict between national political interest and the need for sacrifice for the greater good. No one expects a detailed agreement on world

property

talks stalled ONE OF the most severe tests envisage negotiations on a "concerted and significant reduction" in support. The reduction would have to be accompanied by measures to for the trade ministers at Montreal is to umblock the talks on intellectual property rights (IPR). They are stalled by an eyeball to-eyeball confrontation between the US and an increasingly numerous Third World group over the legitimacy of incorporating IPR mat-ters into Gatt and over the

scope of any eventual deal. Ministers have four reports before them. Those from the US and Brazil set out extreme opposing positions. The more moderate proposals for a Gatt IPR agreement tabled by Switzerland and the chairman of the negotiating group do not bridge the gap, so ministers

have no easy way out. The Reagan administration urged on by its pharmaceutical and informatic industries and with general though not all-out hacking from the European Community and Japan, has been pressing for an ambitions multilateral accord protecting copyrights, patents, trade-

It wants to give Gatt the teeth to enforce the agreement and a mechanism for settling

The US case is that the activities of counterfeiters, patent pirates and copyright infrin-gers, compounded by insdequate national legislation, both inflict massive losses on its own and other countries' enterprises and impede free trade. Worldwide losses for US industry in 1986 ranged between \$43bn and \$61bn, according to a US international Trade Commission computa-

tion. A report to the European Parliament estimated that counterfeiting cost the EC 100,000 jobs. It put the losses of British publishers from copyright infringements at £150m a

II ADD MANUE

Developing countries do not deny the need for reform. But, they say, it should be effected in the international organisa tions already handling such matters, primarily the World Intellectual Property Organisa

tion (Wipo).

A Gatt IPR regime would endow the companies of the industrialised nations with monopoly rights of a kind their countries ignored in their own development, developing countries argue. Such a system would inhibit the transfer of technology to the Third World. Finally, Brazil and India claim the US is carrying the IPR talks far beyond the scope of the argular than the scope. of the mandate given by minis-ters when the Urugusy Round was launched in 1986. This, they contend, called for action only against counterfeiting.

Washington regards the

argument as spurious, arguing that the mandate does not specifically fortid negotiations on other IPR matters. The US dismisses Wipo as an ineffective organisation, slow at improv-ing IPR standards and incapa-

ble of enforcing rules.

The climate in the Gatt IPR talks has become acerbic in the run up to Montreal. The US has threatened to revert to uni-lateral trade sanctions of the isteral trade sanctions or the kind it has just taken against Brazil over pharmsceutical patent rights if the ministers do not instruct negotiators to work for an agreement that would set "substantive IPR standards" and provide for

Continued stonewalling over the meaning of the mandate is the worst scenario for Mon-treal. The hope is that minis-ters will devise a formula which will remove the block against serious negotiation of a Gatt agreement while allowing each side to stick to its princi-

It would be understood that each country would decide at the end of the Round whether to join the agreement.

Agriculture the make-or-break issue amid Intellectual dispute over goals for long-term reform is that the Community can

AGRICULTURE is the make-or-break issue for the Montreal meeting. The nub is whether US and European Community ministers can use the mid-term review to reconcile their totally different inter-pretations of the long-term objective for the reform of agri-cultural trade and preserve the credibility of the talks.

Agreement on short-term steps to freeze and to start cutting back the huge governmental support payments to farm production and exports is within reach.

But the US has made initiation of these steps next year conditional on the EC agreeing to negotiate over the next two years a programme for the complete elimination of tradedistorting supports. This is the so-called zero approach.

Community agricultural ministers agreed at their last meeting that they would continue to refuse this commitment. The EC is willing to negotiate a "significant" e-term reduction in support but cannot contemplate aban-doning entirely its subsidies to

The EC argues that abolishing farm supports would have a far harsher impact and more profound political implications on a Community with 11m farmers than on the US, which

has only 25m farmers. Brussels contends that, given the volatility of commodity markets, the zero approach is nonsense. It would call for the dismantling of one of the cornerstones of the Community, its Common Agricultural Policy (CAP). Mr Clayton Yeatter, the US

Trade Representative, stigma-tised the CAP last month as "the single most important barrier" to US exports. The conflict between the two biggest farm-trading powers forms only one facet of the complex multilateral talks on farm trade but it is the essen-



tial issue at the half way stage. to farmers not linked to pro-Washington, the initiator of duction and for food aid to the billion. vince the other countries that a global farm regime swallow-ing more than \$200bn a year of taxpayers' money in the industrialised countries is ripe for reform. But it has failed to

impose its remedy.

The original US proposal called for the phasing out of all production and export subsi-dies in 10 years. The latest version stipulates action "within an agreed npon period of time". Nevertheless, it still demands that at Montreal ministers undertake to negotiate before the end of 1990 sched-· Eliminating all import bar-

riers by converting non-tariff characters such as quotas and levies into fixed customs duties which would be reduced and ultimately abolished.

• Eliminating all direct and indirect subsidies that affect trade.

Once ministers had agreed to

sugar, cals and fats.
Action would initially freeze supports at the levels reached

negotiate these reforms, the US says it would be willing to accept a freeze on supports, subsidies and protection for farmers during 1989 and 1990. The EC starts from the other end It saks ministers to begin by agreeing to short-term mea-sures that would improve the world market situation in specific commodities - cereals, dairy products, meat, rice,

in 1984. These would then be cut by a percentage to be nego-tlated to lower maximum levels in 1990.

themselves on an approach in Montreal to long-term reform. The British and the Dutch

would have gone further to meet the Americans.

However, the agreed position

between the US and the EC over the long-term goal for the reform of agricultural trade.

The 12 EC states have had difficulty in agreeing among

trade. Exceptions would be made for direct income support Little room for further cuts in tariffs

NEGOTIATING neductions has always been one of the tasks that Gatt does best. Average tariffs applied by industrial countries on their imports are now only around 5 per cent compared with some 40 per cent when Gatt was born in 1947, and most people agree that thanks for this are due to cuts negotiated during successive Gatt rounds. Rather to the surprise of many participants, however, the tariff aspects of the Uruguay Round have proved unusually difficult, and only

modest progress is now expec-

tariff • Given the success of previous tariff-cutting rounds, the high tariffs that are left in the industrial world are basically those on politically sensitive products such as textiles which are difficult to cut.

• In parts of the industrial

and developing world there are still many tariffs, for example on farm products, which are not "bound" in Gatt parlance (which means fixed with a commitment that they shall not be increased. Most partici-pants are agreed that the prev-alence of bound tariffs should increase but there are differences over the degree to which this should be compulsory.

Finally there is a determi-

nation on the part of industrial countries that, this time, both cuts and bindings should apply to developing countries which have received special lemence in the past. But these nations are concerned about making such concessions without securing in return better access for their products to developed country markets. Failure to come to terms with these problems means negotiators are going to Montreal with little to propose except that negotia-tions begin in earnest in July next year and that ministers for tariff cuts.

might try to agree a firm target Three suggestions on the table are a figure of 40 per

previous negotiations, or to that achieved in the last Tokyo round which was one-third. In the background is e disagreement between the US and the EC about how the cuts should be echieved. The US wants a request/offer negotiation which would allow it to continue to protect sensitive. continue to protect sensitive industries like textiles. The EC wants e fixed formula like that used in the Tokyo Round which would cover every single tariff. Even if an overall target for

cuts is set there is unlikely to be agreement on how to



ted at Montreal. The problems facing negotiators are basically threefold. Ministers prepare to tighten disputes mechanism

A NEW system of monitoring Gatt member countries' trade policies and improvements to its dispute settlement system could come into operation next year, if ministers accept proposals submitted to them by their negotiators in advance of the Montreal meeting.

Decrease on these so-called process. treal meeting.
Progress on these so-called proce-

dural issues was always regarded as one of the most hopeful aspects of the Montreal meeting, because they are widely considered as less controversiel than the more contentious issues

stel than the more contentious issues such as agriculture.

Though easily overlooked because of their apparently administrative nature, trade diplomats believe that decisions taken in this area in Montreal could lead to a significant enhancement of Gatt's authority as an institution. "We shall certainly have a stronger Gatt," said one European official. pean official.

pean official.
The most radical innovation, on
which negotiators are now basically
which negotiators are now basically
arread, would be the introduction of

The US has already informally sig-nalled its willingness to be the first candidate for examination and the candidate for examination and the necessary funding has already been allocated to Gatt's 1989 budget. This, and subsequent reports on other countries, will involve an appraisal of the general thrust of national trade policy which would be both discussed in the Gatt council and published.

Trade experts believe that the publicity effect should act as a check on protectionist tendencies around the protectionist tendencies around the world, making it harder for member countries to adopt protectionst poll-cies through so-called grey area mea-sures which evade the spirit of the Gatt if not its letter.

Gatt's political standing should be further enhanced by a plan for trade ministers to attend its annual meeting once every two years. Ahead of Mon-treal, disagreement continues on a suggestion for a smaller steering group of ministers to be established on e more permanent basis.

on e more permanent basis.

In the same way Gatt has not proceeded far with a proposal going back to the original Funta del Este mandate for closer co-operation with the International Monetary Fund and World Bank. This partly reflects nervousness on the part of developing countries that Gatt would be used to back up what they see as unpalatable IMF medicine but it is also a bone of contention in Geneva after this year's Berlin meetings of the two organisations devoted much time to trade but made no room for Gatt participation. made no room for Gatt participation. However, one assumption is that the greater international standing of Gatt through its new surveillance role and enhanced ministerial involve-ment might lead naturally to the

with other Bretton Woods institu-tions. Meanwhile Mr Arthur Dunkel,

tions. Meanwhile Mr Arthur Dunkel, Gatt Director-General, may simply be asked to produce a report on the question during next year.

Providing ministers can agree on one or two remaining technical issues, they are also likely in Montreal to endotse a plan for Gatt's dispute settlement procedures to be tightened under new arrangements scheduled to enter force on a trial basis from January. basis from January.

This would be an attempt to

respond to criticism, particularly from businessmen in the US, that its dis-pute settlement mechanism is cumbersome, time consuming and ineffectual. The perceived inadequacy of Gatt in this area is often cited as e reason why countries are tempted to bypass it and strike bilateral arrange-

ments with trading partners. The present proposals call for strict time limits for each of the various stages of the dispute process: bilateral

negotiations between disputing par-ties, the establishment of e Gatt panel to review the complaint, and comple-tion of the panel'e work.

Other innovations include an option of binding arbitration as an alternative means of settling e dispute and the possibility for e single panel to handle complaints on the same subject from several different members

where the proposals are not fully agreed, however, is on the degree to which the defendant in a complaint can act to block the findings. For some countries this would be a potentially serious concession, even though in practice no panel findings have been blocked since the Uruguay Parand started. Round started.

Round started.

There seems little chance that this problem will be ironed out in Montreal but trade diplomats say it should not prevent the rest of the changes coming into force from January 1, creating a much tighter dispute settlement procedure. ment procedure.

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WORLD TRADE NEWS

Yeutter hits at trade in services document

By Nancy Dunne in

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MR Clayton Yeutter, the US Trade Representative, yester-day critical the final document produced by negotiators in Geneva for talks on trade in services as part of next week's mid term review in Montreal of the current international trade

"It is the worst-document I've ever seen to come to a ministrial meeting, he declared

"There is almost no Imguage that is unbracketed and in some cases there are two or three or four sets of brackets."
Brackets are used by negotiators to indicate disagreement on wording.

Documents are being presented by the 15 negotiating groups on issues being addressed in the current round of talks within the General Agreement on Tariffs and

Mr Yeutter stressed the necessity of agreeing on proce-dures for discussions on trade in services in the final two years of the negotiations.

"We have a significant task ahead of us," he said. The US side had been misrepresented in Europe. "We have never said all agriculture subsidies must go," Mr Yeutter declared. "Agriculture-distort-

David Buchan adds from Brussels: The EC will make a bid for Third World support in next week's high-level Gatt trade talks in Montreal by tabling what a senior Brussels trade negotiator yesterday termed an "avant-garde" proposal to ease import duties and quotas on tropical products.

Mr Willy De Clercy, the EC

external affairs commissioner, warned that tropical products were "a test of goodwill" for developing countries. The latter could obstruct progress in the trade talks unless given concessions by industrialised

countries.

The EC is ready to cut or eliminate excise and tariff duties on the control imports by its 12 member states, but will a start the offer mutil it sees not detail its offer until it sees what other industrialised countries are prepared to put on the table at Montreal.

Ceasefire in battle over introduction of digital audio tapes

THE consumer electronics and recording industries have reached a ceasefire in their long-running battle over the introduction of digital audio tape, the next generation of recording technology. At a meeting in London yes-terday, representatives of inter-

national record companies and European and Japanese electronics manufacturers agreed to set up a working group to find a solution to the complex copyright issues which have plagued DAT since it was invented. This was the first high-level meeting between the two sides since a disastrous meeting two years ago in Van-couver, Canada.

Mr David Fine, president of Polygram UK, the record company, said there was now a willingness to solve the prob-lem. He described yesterday's meeting as a "vast improvement on Vancouver".

The high quality of DAT. which can make almost perfect copies of equally high-quality compact discs, is the source of

the dispute. Record companies have been afraid that consumers would make multiple copies from a single compact disc, leading to a substantial drop in their revenues.

They have therefore been boycotting the introduction of DAT machines by refusing to produce music that can be played on them until they can get satisfactory protection for their copyright. As a result, DAT machines have sold only in minuscule quantities. The solution to the contro-

versy is likely to centre on fitting DAT machines with a device that would prevent them from making more than one copy from a compact disc. The working group will also look at the possibility of DAT manufacturers paying record companies financial compensa-

Mr Fine refused to be drawn on how long it would take to produce a solution, except to say that the issue would be resolved "in the fullness of time".

Argentine telephone plan may reinforce monopoly

By Gary Mead in Buenos Aires

DETAILS of Argentina's plan to sell off 40 per cent of its state-owned telephons com-pany, ENTel, to Spain's Tele-fonica have been leaked by one of the country's leading finan-cial newspapers, El Cronista Comercial.

The report suggests that far from deregulating the national telephone network and opening it out to increased competition, the future merged corpo-ration will reinforce ENTel's previously almost total monop-

According to the report, Telefonica will be granted a 25 year concession, during which it will merge with ENTel, and the newly-formed company be guaranteed exclusive rights over a wide range of telecommunication services. These include not only

installation and maintenance of telephone lines hnt also

telex, fax, all data transmission facilities and exclusive control over public television signals. Moreover, the contract would grant the new company the right to compete for any remaining telecommunications rights previously granted to other companies.

At the end of March this year, ENTel and Telefonica signed a letter of intent, in which Telefonica proposed an investment of \$750m in return

for a 40 per cent stake.

The deal — yet to be presented to Congress — has come under strong attack from opposition politicians, who argue it runs against a Constitutional har prohibiting foreign private central participating in restore. capital participating in nationalised industries. Against snch criticisms.

Telefonica has unveiled a plan promising investment worth \$4,22bn between 1989 and 1993.

Fokker revs up for a rising demand

The Dutch aircraft maker is planning a production boost, Michael Donne reports

OKKER, the Nether-lands aircraft manufac-turer, is planning to increase production of both its current aircraft, the 109-seater Type 100 twin-engined jet air-liner and the 50-seater Type 50 twin-engined turbo-propeller aircraft.

The company is just complet-ing a financial reorganisation involving a three-for-two rights issue raising over F1 320m (£89m), and the production boost will initially be centred on Schiphol, Amsterdam, where the aircraft are assembled. Fokker is also discussing with Lockheed Corporation the possibility of Lockheed embling the Type 100 in the US by the early 1990s.

All these plans will bring additional business to UK aerospace companies, for both the Fokker 100 and 50 are international aircraft with substantial British and other foreign con-

The Fokker 100 uses the Rolls-Royce Tay turbo-fan jet engines and wings hullt by Short Brothers of Belfast, while the Fokker 50 nees Dowty Rotol propellers and landing gear, and both aircraft use much other UK-built equipment and components, includ-ing composite materials for cabin interiors from Ciha-

Geigy.

The increased production is in response to rising demand for the two aircraft, which in turn is due to several factors.

The first is that earlier models of pressurised short-to-me-dium range jet and turbo-prop airliners (including the Fokker F-28 twin-jet and Fokker F-27 twin turbo-prop) are ageing, and demand for new models with lower noise levels, reduced pollutant smissions and improved fusl consump-

tion is increasing. The second main reason is the change in the pattern of demand for such types of air-craft. World-wide, there is an accelerating trend to deregula-tion and liberalisation, which in turn is resulting in increased "huh and spoke" operations from smaller regional airports both in North America and Western Europe.

At the same time, there is a parallel development of many direct new rontes between smaller towns and cities, to meet a demand from an emerging generation of "commute air travellers, demanding cheaper fares and in turn calling for smaller, more economic

The net effect is to create a likely demand over the next 15 years for around 1,500 airliners in the small twin-engined 100seater jetliner category, of which Fokker believes it can win about 30 per cent, or around 500 aircraft, with its

Type 100.

But the competition is formidable. Fokker is one of only five jet airliner manufacturers in the world, the others being British Aerospace, Airbus in Western Europe, and Boeing and McDonnell-Douglas in the US. Three of these have direct competitors for the Fokker 100 - the British Aerospace 146 four-engined regional jetliner,

Rolls-Royce is to help the Spanish aero-engine industry share in developing the EJ-200 engine for the new European Fighter Aircraft through a new company, Sociedad Espan-ola de Motores, in which Rolls-Royce will have a 45 per cent stake and Spanish comp nies 55 per cent, Michael

Donne reports.

The KJ-200 is to be built by a European consortium, Eurojet Turbo, in which the UK and West Germany each have 33 per cent, Italy 21 per cent and Spain 13 per cent.

the US Boeing 737-500 and the McDonnell Douglas MD-87. Other competitive possibili-

ties now emerging are from re-engined DC-9s and British One 11s (also using Rolls-Royce Tay engines), while on the lon-ger-term horizon lies the revolutionary fuel-efficient prop-fan MD-91 and MD-92 airliners now being developed by McDonnell-Douglas and General Elec-tric of the US.

Current orders for the Fokker 100 stand at 118 aircraft firm with another 88 on option, a total of 206. From deliveries

of only 14 aircraft in 1988, pro-

duction in 1989 will amount to 33 aircraft, rising to 39 in 1990 and 46 in 1991, the maximum achievable with present assembly facilities. But further increases to up

to 60-70 aircraft a year are possible with additional facilities, including another final assembly line, requiring new investment of some F1 250m (£70m). Production in the US would

also help to achieve this total, depending on the volume of new orders for the aircraft emerging from the US market in the 1990s. The talks with Lockheed are not yet completed, hnt both sides are confident of an ultimate agreement.

Fokker is not only expanding production of the Type 100, however, but is also contem plating a family of types including both a smaller model with a reduced fuselage, and a stretched version with an

extended fuselage, along with a combination passenger and cargo model (a "combi").

This expansion plan will be materially enhanced by the decision of Rolls-Royce to offer a higher-powered version of a higher-powered version of the Tay engine, the model 670, with thrust of up to 18,000 lbs. Competition in the market for twin-engined turbo-propeller airliners is also increasing. Fokksr foresees a world

demand for some 1,200 aircraft in this category Ranged against the Fokker

ATR-42 and ATR-72, the British Asrospace Advanced Turbo-prop (ATP) and the Boeing/de Havilland Canada Dash 8 Series 300, all twin turbo-prop

airliners. Orders for the Fokker 50 stand at 93 firm and 29 on option, a total of 122. Initial production was 24 aircraft a year, but the current rate is 30 a year, and it is being raised to 33 a year. Potential maximum production on the present assembly line is 39 aircraft a year, and to go beyond that will also need additional facilities. There are at present no

Fokker is also considering a family of variants for the Type 50, including a stretched model, a military variant and a combination passenger/cargo

plans for US production of this

The cash for these ambitious plans will come from the com-pany's capital reconstruction pany's capital reconstruction undertaken over recent months. This reconstruction not only reflects the higher level of activity within the company, but also enables the Dutch Government to increase its stake in the Fokker equity

to more than 32 per cent.
As the prospectus for the recent three-for-two rights issue pointed ont, with an order book valued at end-October at Fl 6.2bn (£1.73bn), the increases in production now planned are unprecedented in

Shipping lines call on **Brussels for protection**

EUROPEAN shipping lines eral cut in tax rates on profits vesterday called on Brussels to give them extra protection against mounting competition from low-cost Asian and Eastern bloc competition.

A report by the European federation of shipowners (Caace) asks the Brussels anthorities to set common rules on tax incentives for shipping lines and to hasten plans, being considered in the Commission, for an EC flag. Caace calls for shipowners in

all member-states to be permitted to write down the cost of acquiring vessels against tax, for tax exemptions for a pro-portion of profits and for a genfrom international shipping. It also asks for cuts in employers' tax and national insurance contributions and crews while at sea.

Such measures are essential to halt the EC fleet's declining share of world shipping in the face of persistent surplus ton-nage and price undercutting from subsidised Eastern bloc and Far Eastern lines, the federation argues.

It estimates the EC's share of world tonnage has almost balved from 31 per cent in 1978 to 16 per cent at the end of

Ferranti aims to share in Nato systems order

AERITALIA of Italy, Ferranti International Signal of Britain and General Electric of the US have agreed they would work together to develop a military intelligence system designed to meet Nato requirements in the 1990s, Renter reports from

Mr Philip Burton, Ferranti general manager, said Nato would invite bids soon to develop its new Battlsfield Information Collection and Exploitation Systems (BICES), to integrate military intelligence throughout the alliance. The group would complete a pilot study draft in 1989 and present its first BICES bid to Nato in 1990, he added.

Franco-US partnership in Japan air engine deal

CFM INTERNATIONAL, a Franco-American partnership, has beaten Inernational Aero Engines, a five-nation consortium including Britain, to a Y30bn (£135m) jet engine contract for All Nippon Airways, the Japanese airline.

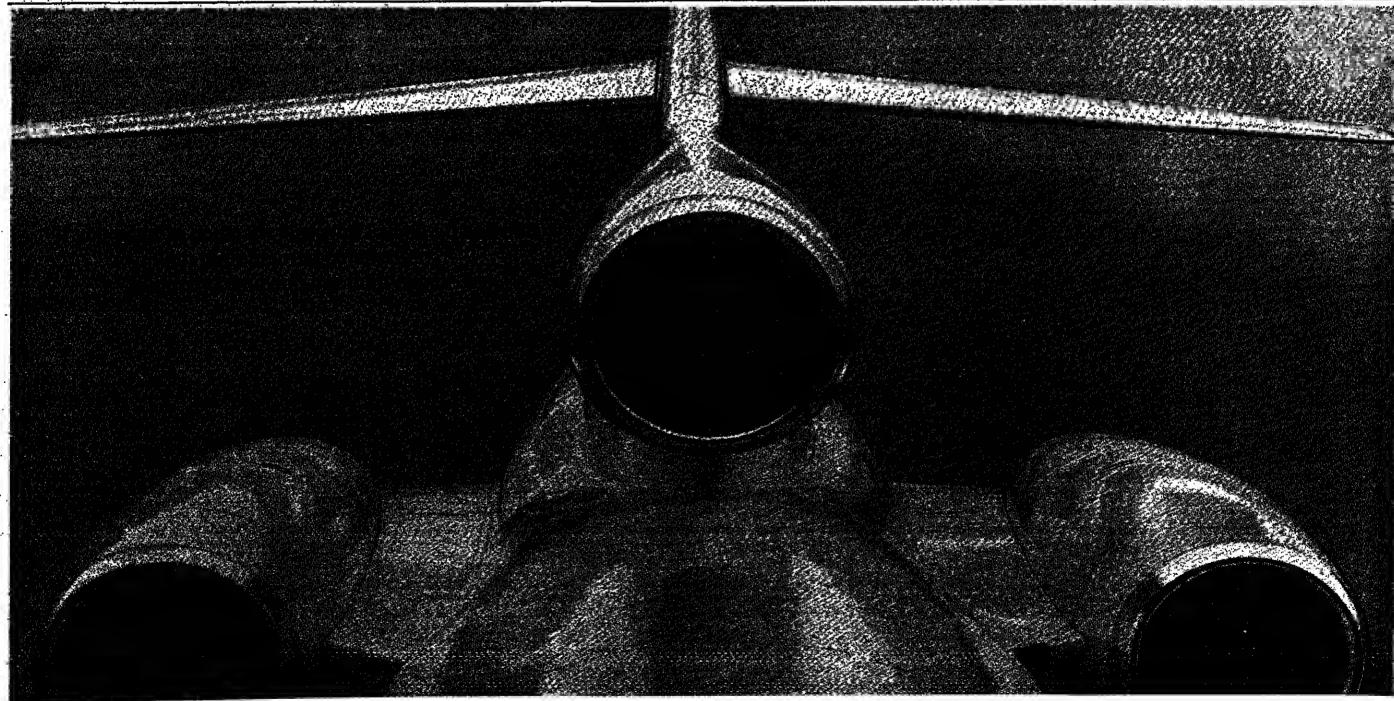
All Nippon said yesterday it preferred the CFM56-6 engine to the V2500 developed by International Aero Engines, a gronp which includes Rolls-Royce, the British engineering group.

lt is buying 20 engines for a new fleet of Airbus Industrie A320-200 aircraft due to go into service from 1990. The decision

has sent shock waves through the Japanese aviation industry and the Ministry of International Trade and Industry, which has put Y50bn of subsidies into the V2500 project.
Three Japanese engineering

companies – Ishikawajima Harima Heavy Industries, Kawasaki Heavy Industries and Mitsubishi Heavy Industries - together have a 23 per cent interest in the V2500. All Nippon said it chose the

engine developed by CFM - a rtnership of General Electric of the US and Snecma of France – because it had been in service longer than the



The three-engine Falcon 50 and 900. Executive jets as safe as airliners.

Of course you could stick with comparing operating ranges, cruising speeds, usable cabin space and the soundproofing of other private jets. Which, just between us, would only again highlight the advantages which are the strength and reputation of the Falcon the world over.

But the comparison stops there for one very simple reason. The Falcon 50 and 900 have three

Use of a third engine positions both of these aircraft at the very strictest level of safety, that imposed on airliners making overwater flights via the shortest routes. This provides the aircraft with additional power always at the ready for the systems which ensure your comfort and safety.

To understand the essential role, vital in the power factor, especially when flying over

inhospitable zones, just

keep in mind the importance of the on-board electronics of a long-range aircraft.

Objectively speaking, the security offered by the three-engine Falcon is comparable to that of commercial airliners, not of other corporate jets in their class. This is of course why executives prefer

the Falcon 50 and 900.

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Business takes off with Falcon

provide (s. walling over e mandate is

DEPUTIES of the Snpreme Soviet of the USSR were last night negotiating final amend-ments to the constitutional reforms proposed by Mr Mik-hail Gorbachev after renewed calls to make them more demo-

There was continued uncertainty over whether the changes would be enough to prevent a revolt by deputies from up to five republics, hut the Soviet leadership appeared keen to ensure the widest possible support ainty over whether the changes would be enough to brevent a revolt by deputies from up to five republics, but the Soviet leadership appeared teen to ensure the widest possible support.

The majority of deputies after many also revealed strong feelings from public meetings and a flood of letters around the country, seeking more democracy in the system. The most independent line continues to be taken by Estonia, the smallest republic of all in the Union, in spite of

speaking in the debate yester-day pledged strong support for the reforms, which are intended to create a new super-parliament, above the Snpreme Soviet, and bring more democracy to Soviet elec-

Bnt many also revealed

being roundly attacked by the majority of Soviet delegates for threatening the very founda-tions of the Soviet state.

Mr Arnold Routel, president of the presidium of the Esto-nian Supreme Soviet, admitted that changes in the draft proposals had incorporated "many amendments with which we agree," but he still demanded the right for his republic to adopt different rules from the USSR itself.

Promising the firm support and enthusiasm of the republic for the whole reform process,

be said that Estonia opposed the idea of creating a new Con-gress of People's Deputies in the republic, as in the USSR as a whole, and wanted instead to have a directly elected Supreme Soviet. The republic also wished to draft its own

election laws, he said.

Although the proposed Congress would be directly elected, it would then itself indirectly elect the Supreme Soviet from among its members - a point which the Baltic republics in particular have criticised. Academician Valentin Koptyug, president of the Siberian branch of the Soviet Academy of Sciences, accused the deputies in the Supreme Soviet of lagging behind the public debate on the constitution.

He said thet many people in Novosibirsk argued in favour of direct elections to the future Supreme Soviet, and in favour of direct elections also for the future executive president. The latter is supposed to be elected by the Congress of Deputies according the the draft reform, and is confidently expected to be Mr Gorbachev

EC plan to

cut noise by

THE NOISE level of jets taking off and landing et European airports should be turned down a little if e proposal for quieter aircraft put forward yesterday by the European Commission is adouted by mamber states.

is adopted by member states. The plan lays down that EC airlines from November 1, 1990

would not be allowed to lease or buy second-hand aircraft from outside the EC which did

not meet the most up-to-date noise standards.

Community legislation already exists to exclude so called Group One aircraft (pre-

1969 certification) so it is the

Gronp Two category (certifi-cate of airworthiness between

1969 and October 1977 and including several types of DC-9, Boeing 727, 737 and 747) which will be affected by the

A Commission spokesman stressed last night that the

operation of these aircraft was

not under attack as such, and that "for the time being older

aircraft which do not meet the

sions on the operating condi-

tions for Chapter 2 aircraft are due to take place next year.

Given encouragement at this

level the Commission is likely to push for tighter restrictions.

New controls on

CONTROLS ON the use of

irradiation to sterilise food in the EC were adopted yesterday by the European Commission.

be passed by a qualified majority of Community governments to come into effect, would

make it illegal for member states to block imports of irra-

diated food which conform with EC-wide rules. It is expec-ted to end a deadlock over a

separate Commission proposal for EC rules on the labelling of irradiated food.

The scheme lays down maxi-

mum doses and specifies safe types of radiation. It calls for

irradiation plants to be listed on an EC register, and says exporters to the Community

must comply with the same

Yesterday's proposal includes a list of products -mainly fresh tropical fruit, fish

and poultry - where irradia-tion has been ruled safe and desirable by a panel of EC sci-

A growing number of food processing companies are using x-ray, electron beam, and gamma radiation — which nor-mally leave no traces in food —

as a cleaner alternative to chemicals. To remove uncer-

tainty and ensure high stan-dards across the Community, common rules are needed."

said the Commission.

The proposal, which needs to

irradiation of

food proposed

By William Dawkins

munity and ontside".

aircraft

By Tim Dickson in

"Our co-citizens want to participate personally and directly in the decision-making process," he said. It was also a reason for criticising plans to allocate one-third of the seats in the Congress to representa-tives of "public organisations" such as the Communist party and its affiliated trade unions. Hints of nationalist dissatisfaction from non-Russian republics came not only from the five known dissidents -Armenia, Georgia, Latvia, Lith-uania and Estonia - but also

from loyal Moldavia. A dele-

gate from the republic warned that heated discussions in the street were taking place on key questions like the promotion of national culture and the netional language - and it was the next most urgent prob-

lem to tackle.

It now appears, however, that Mr Gorbachev may have introduced enough changes in the draft to ease the fears of at least some of the dissident republics. Both Armenian and Georgian representatives have suggested they are largely sat-isfied.

Koskotas affair may halt US bases talks

By Andriana lerodiaconou

THE ARREST in the United States of Mr George Koskotas, the fugitive Greek banker and press baron, may lead Athens to suepend negotiations with Washington on the future of the four American bases in

Mr Koskotas fled Greece in early November after heing accused of multi-million dollar

After a brief stay in Brazil he arrived last week in the US, where he was arrested.
Greek opposition parties have accused the Government

have accused the Government of irregular dealings with the fugitive tycoon.

The link between the Roskotas case and the bases issue emerged during an analysis of the political crisis into which the affair has plunged Greece, delivered yesterday by Mr Andrees Papandreou, the Prime Minister, at a stormy meeting of Socialist party cadres.

According to the state radio, Mr Papandreou assured the gathering that he possessed incontrovertible evidence showing that the Koskotas affair was part of a plan to overthrow the Socialist Gov-

He did not provide details of that evidence, however. At the same time he said that a temporary suspension of the US bases negotiations, for political reasons, was not to be ruled

The Prime Minister did not elaborate on these reasons. But his remarks fell into perfect line with scenarios edvanced hy pro-Government newspa-pers in recent days alleging that the Koskotas affair was a CIA plot to bring down the Government, and predicting that Athens would suspend the negotiations on the bases as a way of exerting pressure on the US to extradite Mr Kosko-

The Socialists' bid to implicate the US, however, has so far gained little ground with public opinion, while it has been ridiculed by the opposi-

Drunk

27 17

Meanwhile, yesterday's party meeting revealed intense internal dissent over Mr Papan-dreou's handling of the Koskotas crisis.

Senior party members are displeased with the fact that he has not removed ministers from the Government associated with the scandal.

Capacity use in West Germany

highest since 1973 WEST GERMANY could not stimulate domestic demand any further to reduce its large trade surplue because the country's capacity utilisation had reached its limits, Mr Karl Otto Pöhl, the Bundesbank president, said yesterday, Reuter reports from Frankfurt. In a radio interview with Westdeutsche Rundfunk, Mr Pöhl said utilisation has risen to the highest level since 1973. "If we were to increase domestic demand further, we would inevitably get problems with inflation," he said. "One has to look for other possibilties" to deal with the trade sur-

He did not specify what those other possibilities were.
Mr Pohl predicted a new
record trede surplus of DM120hn-DM130hn (£37.5bn-£40.5bn) for the year, up from DM117.6bn in 1987.

West Germany's present eco nomic conditions were "nearly optimal, if I exclude the still unsolved problem of unemploy-

ment," he said.

"We haven't had such a high capacity utilisation since 1973, and we have nevertheless

almost stable prices.
"I hope that this trend will continue in the foreseeable future," he added.
While West Germany still had to improve its interna-tional competitiveness, the massive trade surplus was a sign that the country was well capable of competing, be said.

The Bundesbank chief added that the recent rise in US interest rates, which fitted into the general economic situation, was not likely to heve much impact on West German inter-

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Eleven killed in Armenia as inter-ethnic violence spills over from Azerbaijan

ELEVEN PEOPLE were killed in Armenia over the past week in inter-ethnic violence spilling over from the neighbouring republic of Azerbaijan, the official Armenian news agency said yesterday, Reuter reports. The latest killings brought to 19 the known death toll in clashes between Azeris and Armenians which broke ont last week in the Azerbaijani city of Kirovabad and the Nak-

"According to information given to us by the military command, between November 22 and 29, 11 people were killed – 10 Azeris and one Armenian – in clashes between Armenian self-defence groups and Azeris," an Armenpress spokesman said.

The clashes in the Armenian towns of Kalimino, Goris and Stepanavan, had broken out after bands of Azeri men had

By John Wyles in Rome

MR MARIO SCHIMBERNI, the

former Montedison chairman with an international reputa-

tion for rebuilding ailing com-

panies, yesterday took on one of the greatest managerial challenges of the decade hy agreeing to run the Italian

His appointment as a special commissioner for the Ferrovie

dello Stato (Fs) by the Italian

cabinet yesterday is a some-

inspired response to last

week's resignations, in the

midst of a damaging scandal, of the president and board. With the total public subsidy

for the railways expected to

reach L16,000bn (£6.8bn) this

year, there is no other public

or private company in Italy in

greater need of the firm grip of

a good management. Mr Schimberni's initial

efforts will be made as a tem-

porary commissioner while the Government seeks to push through Parliament a law

reforming the management structure of the Fs. It is thought that the former Mon-

By Christopher Bobinski in Warsaw

POLISH ECONOMIC policy next year is likely to concen-trate on bringing down the

rate of inflation to an annual 50 per cent from this year's 70 per cent level, while retaining state subsidies and a 6 per cent budget defleit, according to

ernment in favour of a more cautious approach. This year's attempt to bring demand more

into line with supply not only provoked open industrial unrest but triggered continu-

senior government officials. There appears to be a growing consensus within the Govtaken to the hills to fight "a partisan war". The deaths included two reported earlier in Goris and Kalinino. Eight people, including three sol-diers, died last week in Kirova-

bad after Azeri gangs began a series of attacks on the Arme-nian minority in the city.

A state of emergency and curfew is in force in many parts of Azerbaijan and the situation was reported this week to be gradually returning to normal. Officials in both repub-lics say tens of thousands of refugees have been pouring across their borders in the wake of the violence, the latest unrest stemming from a long-standing dispute over the territory of Nagorno-Karabakh.

The Armenpress spokesman said at least 40,000 Armenian refugees from Azerbaijan had arrived in the republic's capi-tal. Yerevan, where reception

tedison chairman will stay on

as president after the new law is passed providing he has the

political support he will need.

yesterday, with all parties con-gratulating themselves on the hrilliance of their choice, while

the Government's two helms-men, Prime Minister Ciriaco De Mita and Socialist party

leader Bettino Craxi, were qui-

difficult task now, however, is

to agree a strategy for the Fs

which sets some financial

objectives and begins to thin down loss-making services.

from the need to control and

reduce the Government's bud-get deficit which currently

takes the strain off an Fs bal-

ance sheet whose revennes

cover only 25 per cent of costs.

For a senior manager such as Mr Schimberni to move

from the private to the public sector is highly unusual in

Italy, but hy the time he was ousted as Montedison chair-

man late last year he had

Poles likely to set 50 per cent

inflation target for next year

domestic prices within reach of world price levels in two years.

Both variants under consideration include higher energy prices, an end to petrol and

coal rationing and a start to the lifting of meat rationing

around the middle of the year.

The Government is also hop-ing to keep wages growth under control and maintain constant real incomes. The lat-

ter have been rising faster

than prices by several percent-

age points.

The prices and incomes policy will be conducted against the background of a liberalisa-

The pressure to do so comes

etly claiming most credit.

This was in plentiful supply

Former Montedison chief to

head Italian state railways

centres had been set up. They were being sent to various parts of the republic where they were being provided with

temporary accommodation.

A spokesman for the official Armenian representation in Moscow said the authorities in Yerevan were expecting some 230,000 Armenian refugees from Azerbaijan. "It is another tragedy for our republic," he said.

The Azerbaijani President, Suleiman Tatliev, in Moscow for a special parliamentary session on political reform, told journalists on Tuesday that some 7,000 Azeris had fied Armenia in the past few days. Another Azerbaijani official said tens of thousands of refusees from Armenia and geees from Armenia and Nagorno-Karabakh were flood-ing into the Azerbaijani capi-

The Armenpress spokesman

become too big for any private

company he could not control.

At the Fs he will have a job
of great national importance:
its payroll of 215,000 is second

only to that of Fiat, and, like Fiat at the begining of this decade, it needs to shed around

50,000 workers to approach

everage European productivity levels for its industry. Having taken over at Mon-

tedison in 1980, Mr Schimberni had succeeded by 1985 in end-

ing a decade of accumulated

losses of \$1.6bn. During the

same period he also turned

Montedison into e fully private company through the sale of

the Government's last share-

But control was purchased at the end of 1986 by Mr Raul

Gardini's Ferruzzi group. Mon-

tedison was not big enough for both men; Mr Gardini owned the shares and so Mr Schim-

berni moved out. After a period

of relative anonymity, Mr Schimberni recently brought

control of a small loss-making Rome publishing house, Cur-

more in line with inflation.

December should see a legis-

lative marathon in Parliament,

with the Government wanting

to push through changes in banking and foreign currency

regulations, a new foreign investment law, and simpler

procedures for setting up etate and private sector companies.

• Polish foreign debt fig-

ures for the first nine months of this year reveal total debt of

\$37on at the end of September. Payments of capital and inter-

in this period amounted to

The figures reveal that

Poland was forced to resched-ule \$3.7bn worth of capital and

interest falling dne in this period. New credits raised

accused the Azerbaijani authorities of forcibly deport-ing Armenians. "They are being put on buses, just as they are, with no chance to get extra clothes or money, and driven to the border," he said, adding that the Armentans had provided buses to take them from the border to Yerevan.

He said a military helicopter had brought refugees from Kirovabad to Yerevan on Tues-

Kirovabad to Yerevan on Tues-day and a planeload of children had flown in from the Azerbaijani city yesterday. "It appears people are sending out their children, but staying to con-tinue the struggle themselves,"

The ethnic hostility has spilled over into the parliamentary session in Moscow, where Armenian and Azerbaijani representatives accused each other's people of encouraging the bloodshed of the past week.

Finns to cut base rate next month

By Olli Virtanen in Heisinki

0.5 percentage points to 7.5

The bank promised to smooth the passege of the package by the unprecedented announcement in September that the base rate would be lowered at the beginning of next year provided that all labour market groups adhered

ome under strong pressure recently as several trade unions, including the powerful paper and construction work-ers, decided not to accept the

and leasing rates.
It has lost much of its importance in Finland recently as market-priced rates domi-nate in corporate loans and also in credit to private indi-

THE BANK of Finland yesterday decided to lower its base rate from January 1 by

At the same time it is paving the way for further strengthening of the markka by widening the currency's self-imposed fluctuation limits against a basket of currencies The lowering of the base rate, decided yesterday by the central bank's parliamentary enpervisory board, follows a promise by Mr Rolf Kullberg the Governor, to contribute to the comprehensive economic stabilisation package agreed

three months ago. The package was designed by the Finance Ministry to keep nominal wage increases down while boosting real income through fiscal conces-

The Bank of Finland has

package.
In its announcement yester-day, the bank warned that the base rate might have to be raised again "as early as next spring" if cost and wage devel-opments did not decelerate clearly.

The base rate is mainly are-ference rate for housing loans

viduals. The central bank has said that if the base rate comes down, it may well have to be matched by raising the market rates by money market

strictest standards will still be used and sold within the Com-SUMMIT ON THE MOUNT: President Mitterrand and Mrs The new proposals, under which aircraft of 34,000kg or Thatcher pictured yesterday before their talks at Mont St Michel. less would be exempt, are seen as particularly significant in Brussels at a time when many **EC-wide alcohol limits** airlines are thinking of updating their fleets. Further international discusfor drivers proposed

By Tim Dickson in Brusseis

COMMON EC limits for "drink ml of blood, to be introduced driving" and new Community rules for driving licences are up the limit in most member package unveiled by the European Commission yesterday aimed at boosting road safety. The proposals, described hy Mr Stanley Clinton Davis, the

Transport Commissioner, as "a major priority for Community transport policy," include road-worthiness tests for private cars, minimum tyre treed depths, and the compulsory

The most eye-catching idea, however, is the Commission's plan to try to cut the number

provision of side guards for heavy goods vehicles. There are also controversial plans to impose tough speed limits on buses and lorries.

of fatal accidents caused by excessive alcohol through a maximum EC rate of 0.5mg per o.Smg per ml and "would take account of the susceptibility of young drivers or infrequent drinkers whose faculties can be affected at such levels", The proposal for driving

licences - which like the others must first be approved by the Council of Ministers would involve mutual recognition of permits between mem-ber states, subject to certain common standards, thereby replacing the current system whereby an EC citizen moving residence has to change his or her licence within a year. The minimum driving age

proposed for motorcycles and cars is 18, though member states would be free to apply a limit of 17 if they chose to.

Second inquiry launched into Tubemeuse subsidies

By William Dawkins in Brussels

THE EUROPEAN Commission yesterday launched its second inquiry in the past two years into possibly illicit state subsi-dies for Tuberneuse, a lossmaking Belgian steel tube pro-

At the same time it blocked an Italian government plan to inject L50bn (219.2m) into Veneziana Vetro, the Venice-based flat glassmaker and gave the go-ahead for a Pta 3.3bn (£15.6m) state subsidy for a research programme at Standard Electrica, the Spanish electronics company.

Tubemeuse was receiving debt guarantees from the Wallonian regional government which had enabled it to sell assets at what appeared artif-

cially high prices, said Com-mission officials. This was likely to give it unfair advantages over competitors in a market burdened with surplus capacity. Brussels will decide whether

to penalise Tubemense after receiving its comments. The Belgian company has already been ordered to repay BFr12bn (£194.8m) of illicit state subsi-

Standard Electrica's government grant was given the green light on the grounds that it was linked to the final stages of a radical restructuring plan and would help to close the technology gap between Spain and the rest of the EC, said the Commission.

The other alternative open to the Government is to go for an 80 per cent inflation rate next year thereby almost balancing the budget and bringing tion in hard currency trade and the legalisation of the domestic hard currency black market, as well as an attempt to bring domestic interest rates Dubliners depressed under a descending curtain of smog

Ireland's clean and green image is threatened by the deteriorating condition of its environment, argues Kieran Cooke ers to convert to smokeless and other fuels.

N many recent nights, a walk through Dublin has been like stepping hack into Victorian times. A yellowish haze clouds the same air. People appear out of the same gloom, their faces covered with sarves. Sherlock Holmes and Jack the Ripper would feel at home.

Dublin, with a population of sanon, has the worst smog of any chiral in western Europe. The world Health Organisation says illnesses can be caused when the wester of smoke particles in the air enough 250 microgrammes per cubic metre. Readings of more than 800 history. metals 250 microgrammes per cumular Readings of more than 800 been grammes per cubic metre have On recorded lately in Dublin. level in a Dublin suburb reached 1.350, the Read reading since records began 12 years ago. Traders shouting "Smog masks, 50 pence a money been making some quick money. Geen making --Dubling smog is caused mainly by

smoke from many thousands of coal burning home fires. Smog is particu-larly bad when there is what meteorologists call a temperature inversion, with cold and smoke filled air

when oil prices were high in the 1370's, the Idish government encouraged people to switch to solid fuels, particularly coal and peat briquettes manufactured from ireland's peat

tory ailments to stay indoors. Hospitals have reported an increase in admissions of people with various bronchial complaints. Winter has only just begun but Dublin has already hreached EEC regulations on accumulated annual smog levels.

A growing chorus of criticism has been levelled at what is seen as a negligent Irish Government, unconother fuels.
Critics say the Irish Government should et least ban smokey, butuminous coal at times when climatic conditions make emog likely. It should also make more funds avail-able for fuel conversions and encourage the use of smokeless fuels by offering public subsidies. But these are tough economic times in Ireland. The Government's

determination to tackle a national debt of Punt 26bn (\$40bn) has meant a series of tough public spending entbacks. Dublin Corporation, the body which runs the city, is likely to have its budget cut by 10 per cent in the coming year. In addition, the coal importing companies have previously lobbied successfully against any ban on the use of hard fuels.

The Government has now introduced a smoke control zone in one of duced a smoke control zone in one of the most smog effected areas of Dub-lin. But the zone covers only 800 ont

of 200,000 households in the city and is being implemented over a period of six months, thus bringing no quick improvement in smog levels this winter.

More broadly, the smog problem belies Ireland's image as a healthy, pollution free environment, Environmental groups are calling for action on a number of fronts.

Some of Ireland's lakes, famous for their tiph myring life are with

for their rich marine life, are virtually dead due to careless use of agricultural fertilisers. Each year several tons of fish die in Ireland's rivers because of silage spills from farms. Ireland's famous boglands are coming under investing threat from a ireland's famous boglands are com-ing under increasing threat from a fast growing forestry industry. Min-ing companies are becoming more active, particularly in the wild, west-ern parts of the country, till now one of the most unspoilt regions of

was a building boom in Ireland.

Farmers who had seen their incomes rise with Ireland's entry into the EC built new bungalows in the country-side. Many of these were constructed with little or no consideration for

The Irish blame the nuclear power plant at Sellafield in northern England for turning the Irish Sea into what is described as the most radioactive stretch of water in the world. Yet Dublin Bay is polluted by many thousands of tons of raw sewage discharged into it every year. Signs warn against swimming near the city. Ultimately the smog and other environmental problems could have serious consequences for Ireland's tourist industry.

The Government has made some efforts to tackle what has become a source of considerable emharrassment. But the tourist brochure image of a clean, green, wild country is being quickly lost in a dense cloud of smog and haphazard development. FINANCIAL TIMES

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bogs.
The result, on many winter evenings, is a canopy of dense smog hanging over Dublin. Warnings are now broadcast to those with respiratal issues. London had a severe smog problem till the 1950's but air cleanli-



cerned about important environmen

ness levels have improved drams ically. In Belfast considerable su

public money have been used in

recent years to encourage houseown-

W1113150

In the 1970s and early 1980s there

EUROPEAN NEWS

Too many holidays in Spain

There will be a lot of days off next week, reports Tom Burns

UST WHO IS working in Spain on a given day of the year is at the best of times mystifying. The situation will be worse next week when the manana image is destined to go from the sublime to the ridiculous. "What is happening," said one Barcelona businessman, "is a barbaridad, something barbaric. I don't know who will be working where next week but I suspect a lot of people won't be working at all."

The problem is that public holidays are due on Tuesday December 6—a recently instituted public holiday that commemorates the endorsement by referendum of Spain's post-Franco democratic constitution—and also on Thursday December 8, the traditional times mystifying. The situation

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tion — and also on Thursday Becember 8, the traditional Catholic feast day of the Immaculate Conception.

When a public holiday falls within a day of the weekend, on a Tuesday or on a Thursday, a majority of Spaniards take a puente, literally a bridge, and stay away from work for four full days. December 5-11, with its due of midber 5-11, with its duo of mid-week holidays, has already been dubbed a viaducto, an extra long bridge spanning the

entire week.
The annual holiday calendar in Spain is, at the best of in Spain is, at the best of times, what a spokeswoman for the National Employers Confederation termed "somewhat chaotic." There are national holidays, holidays that are observed in specific regions and others which are celebrated only by cities.

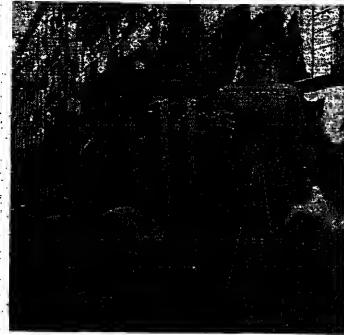
Even national holidays are not what they aware Spain

not what they appear. Spain has a public holiday on July 25, the feast of St James the Apostle, the nation's reputed evangeliser and its patron saint. Not so Catalonia which works that day and downs tools instead on the feast of St Steep instead on the feast of St Step-hene December 25 and Buring Day in the English speaking world, when the rest of Spain is, at least in theory, back at

work.

Catalonia works on April 23 but not so Barcelona for the date marks the feast day of St George, or San Jordi, the city's patron saint. By the same token Madrid city, but not its surrounding province, goes limp in the week of May 15, the feast day of St Isidro, the Spanlah capital's patron saint.

Kilhao, in the Basque coun-



Barcelona's Merced festival celebrates while Madrid works that ruling effectively sidelines that ruling effectively sidelines such transport during the whole of next week.

At the begining of this year moves were made by the administration to avert such chaos. Mr Felipe Gonzalez's socialist government decided to switch Thursday's December 8 holiday to the Monday in the hope of having the country back to work on Wednesday

back to work on Wednesday after Tuesday's December 6 Constitution holiday. Lest year December 6 had conveniently

fallen on a Sunday and the issue had not arisen.

January's pragmatic decision ran into immediate difficulties in Mr Gonzalez's home town of Seville where the local population declared that it had been observing the Immediate Com-

observing the Immaculate Con-ception since 1471 and warned

ception since 1471 and warned that if the December 8 holiday was abolished there would be no mark realistics processions in Holy Week which is when the city makes a fortune from tourism. Seville's municipal authorities hastily decided that Thursday would be a holiday in the area next week as well as Monday and Tuesday. This was the thin end of the wedge for Spain's bishops who quickly pointed out that the observation of the Immaculate Conception was part and parcel of the Concordat that governs relations between Spain

erns relations between Spain

and the Vatican.

in Spain, takes the day off on in Spain, takes the day off on July 31 in honour of its local hero St Ignating of Loyola, and then takes a week off for its flestas at the end of August just as Barcelona does at the end of September to commemorate its local the Virgen de la Massad

Merced.

All of Catalonia stops work on September 11 to remember the occasion when Madrid's troops conquered the region in the Spanish War of Succession more than 250 years ago and all of the Madrid region closes down a month later in honour of the Virgen de la Almodena who was revered by St Isidro.

Against such a background, the disparity of working prospects next week is par for the course. Employers and unions in Bilbao have agreed to take Monday and Tuesday off, Madrid will stage partic holidays on Tuesday and the morphy half the factories in the Harcelona area will be working on Monday while the other half will be open on

other half will be open on Thursday.

Most business people in all

three cities expect massive absenteeism for the whole week. There could be precious little for the labour force to do anyway in certain plants for a surrothneing province, goes anyway in ceram plants or a statutory law prohibits or a statutory law proh

ment climbed down and passed the Monday holiday back to the Thursday. Applauding the move, a spokesman for the Catholic Church said that the Government had taken note "not only of the pressure exerted by the bishops but also of the clamour of Christian people, businessmen included."
Mr Alfonso Guerra, the deputy prime minister, who has special responsibility for Church-State affairs, shifted the blame on to the Employers Confederation saying that the Government did not intend to "worry unduly about productivity" if it was not backed in its rationalising efforts by the business community which

stood to gain most from them.
The jibe was angrily resented by the Employers Confederation which said it was not privy to the church's negotiations with the Govern-ment and the latter's climbdown was in any case ignored by the Basque business leaders who reached their own agreement, with the support of the Basque regional executive, to work on Thursday as the Madrid government had originally intended.

In Catalonia the local

In Catalonia the local employers federation advised ite members to notify the authorities that for safety rea-sons their plants could not open and close down on aher-open and close down on aher-nate days and that they there-fore intended, as in the Basque Country, to work on Thursday and not on Monday. Major fac-tories such as the SEAT and the Nissan car plants have fol-lowed such advice.

ne irony of the situa-tion is that the Govern-

restore December 8 as a holi-day was sharply criticised by the Madrid daily newspaper RI Pais, which warned it of the consequences of appearing more nexthin in its negotia-tions with the bishops than in its talks with the unions. The newspapers comment turned out to be the stuff of prophecy for within days the unions had announced a general strike for

"If the unions had been imaginative they could have bridged the church-state gap by calling the strike a week earlier, on December 7," commented a government official yesterday. "that way they could have institutionalised the *piaducto* nationwide."



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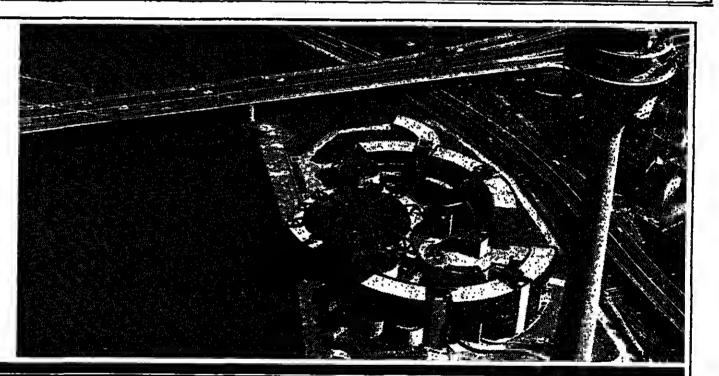
ONE YEAR PERFORMANCE RANKING As at 30 September 1988 Lloyds International Investment Funds among Swiss Based Funds

	RANK	FUNDSIN CATEGORY
Growth Fund		12
European Fund	1	4
Dollar Fund	1	9
North America Fund	2	7
Pacific Fund	1	8
Income Fund	3	15

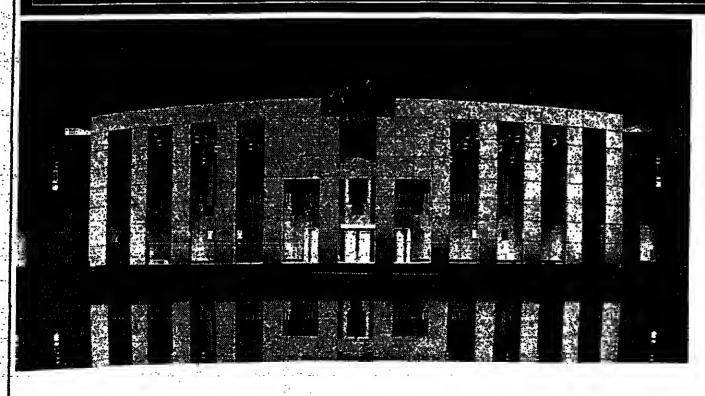
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After the Merger, the Debentures will be convertible, in accordance with the terms of the Agreement and the Debentures, into a number of shares of common stock, par value \$.01, of Commercial Credit ("Commercial Credit Common Stock") identical to the number of shares of common stock, par value \$1.00, of the Issuer into which the Debentures were convertible immediately prior to the Merger, plus U.S. \$7.00 in cash (without interest) for each share of Commercial Credit Common Stock received upon such conversion. In accordance with the terms of the Merger Agreement, after the Merger, Holdings and Commercial Credit will be jointly and severally liable, on a subordinated basis, for the payment of principal of, premium, if any, and interest on the Debentures.

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UK NEWS

Former Crowther clothing group to shed 700 jobs

Response to restructure

shares plan THE management team which took control of the John Crowther Gronp's clothing companies in a 290m buy-out this summer has announced a

By David Waller A SHARE incentive scheme operated by UniChem, the pharmaceutical wholesaler owned by 5,500 independent chemists, has been referred to the Monopolies and Mergers Commission by Sir Gordon Borrie, director general of fair trading.

Monopolies

panel to rule

on UniChem

Sir Gordon's decision came 10 weeks after the Office of Fair Trading ruled that the scheme was anti-competitive. Now the MMC has five months to conduct its own report to determine whether the scheme is anti-competitive and, if so, whether it operates against the public interest

Yesterday's ruling was the latest development in a bitter saga which for a time sent the saga which for a time sent the UK's £1.5hn pharmacentical wholesale industry into a state of convulsion. It began in January this year when UniChem introduced a scheme which linked the the issue of heavily discounted observed the product of the state o discounted shares to level of customers' purchases.

The decision was was roundly condemned yesterday by Mr Peter Dodd, UniChem's chief executive. He said that despite disagreeing with the conclusions of the OFT's report, UniChem had discussed years of changing the scheme. ways of changing the scheme so that it would no longer be deemed anti-competitive.

The scheme was a tremen-dous success for UniChem, which attracted 550 new customers and managed to wrest a substantial amount of business away from its quoted competitors, Macarthy and AAH. New customers were attracted by the chance of a substantial capital gain when UniChem shrugs off its status as a friendly society and goes to the market: the shares were sold at \$1 and could fetch as much as £12 on flotation.

Mr Dodd said that the scheme would continue to operate while the MMC conducted its investigation. This summer Crowther was taken over by Coloroll, the aggressive home products group, after a bitterly fought bid battle. Coloroll retained reduce overheads by fim a

restructuring programme of disposals and closures to cut its workforce by more than 700. Crowther's carpet companies, but sold the unwanted clothing businesses to the buy-out team. Once the restructuring is completed, the company - now renamed the Response Group - will be among the largest players in the UK clothing industry with 4,250 employees and annualised sales of £150m.

Its activities include contract manufacturing for multiple

manufacturing for multiple retailers and brands, such as Speedo swimwear and Pierre

Cardin hosiery.

Mr David Snddens, chief executive who orchestrated the buy-out, said the restructuring was intended to withdraw from loss-making activities and to concentrate resources on more profitable areas.

Response is the product of a series of acquisitions staged by the John Crowther Group in the mid-1980s.

By David Barchard . .

PHANTOM withdrawals from bank cash dispensers, when

the machine deducts money from an account without a withdrawal being made, may

really happen according to a ruling by Mr Ian Edwards-Jones, the Banking Ombuds-

His annual review published yesterday says that complaints about ATMs (automatic teller

machines) are the higgest single source of complaints about the banks. The Ombudsman received 269 complaints, mostly about phantom with-

Banks and building societies

man, this week.

drawals.

Besponse has already agreed to sell its loss-making contract knitwear business in Leicestershire, in the Midlands, and is negotiating the sale of Robert Michaels, a fashion wholesaler in London, to management. The group also plans to sell the original Crowther woollen mill near Huddersfield in

northern England; a lace man-ulacturer in Nottingham; and Herbert Johnson, the hat shop in London's West End. It expects to raise £15m from disposals and to realise £2.5m from property sales. Response is cutting central

costs. It has introduced a new strucmanagement ture - whereby each company reports directly to the main poard - and eradicated central functions such as marketing

Ombudsman backs complaint

over phantom cash withdrawal

generally take the view that

phantom withdrawals are more

or less impossible and can usu-ally be explained away as fraudulent use, perhaps with-out the knowledge of the card

However, on Monday this

ek, Mr Edwards-Jones ruled

in favour of a bank customer saying that the balance of probability was that a disputed

withdrawal had not been

Mr Edwards-Jones had less

comfort for bank customers on

two other regular subjects of complaint, interest charges

when a customer repays a loan

and design. This exercise will

Mr Suddens also intends to cut costs within the remaining businesses. The workforce at Sunbeam knitwear in the Irish Republic will be cut by 70 to 170 people. Response has also begun productivity improvement programmes.
In recent months the UK

clothing market has become increasingly competitive due to a rapid rise in imports fuelled by the strong pound.

The wool textile industry

has increased its export sales by 3 per cent to £46im in the first three quarters of the year despite sterling's strength.

The industry, which is con-centrated in Yorkshire and the

Scottish borders, achieved record exports of £607m in 1985 when the pound was compara-tively competitive. The wool textile mills hope to beat that figure this year, but the rate of export growth has slowed as the year has progressed and the pound strengthened.

before the end of its term and

liability when a bank customer

guarantees someone else's

He gave a warning that in both cases customers may fail to realise their full liabilities under "the small print" in the

In 1987, complaints to the Banking Ombudsman rose to

2,089, an increase of 20 per cent. Mr Edwards-Jones, who

retires today, said he thought

that the rise reflected greater public awareness of the Ombudsman's existence.

Spicer team defects to Ernst & Whinney

By Richard Waters

IN A rare defection of staff from one accountancy firm to another, a team of information technology consultants has moved from Spicer & Oppen-heim to Ernst & Whinney

This echoes teneions between consultants and accountants which have surfaced in some other firms, most notably Arthur Andersen.
The six consultants are all

specialists in computer resource management, which involves helping companies to get the best out of their existing computer facilities.

They are understood to have been nuhanny with Spicen's

been unhappy with Spicer's strategy for its consulting operations, and with the fact that they were not given a stake in their business, despite promises to the contrary. Ernst & Whinney, though

not giving them an equity stake either, is seen to present reater opportunities. The defection poses a serious

question for Spicer, which has pinned its future on its ability to attract and keep teams of specialists like this. The firm is at present trying to appeal to people who want to control their own business by handing power to its various specialist business units.

This development has been blighted by high-level departures, however, in recent months these have included those of Mr Chris Batt, who was himself headhunged with a team of consultants from Booz Allen just 18 months before, and Mr Adam Mills, who had recently been appointed first managing director of Spicer's corporate finance group.

The team of consultants which has moved to Ernst was built up by Mr John Rankin, who joined Spicer three years ago. The team was not hired collectively but its members have moved across individu-

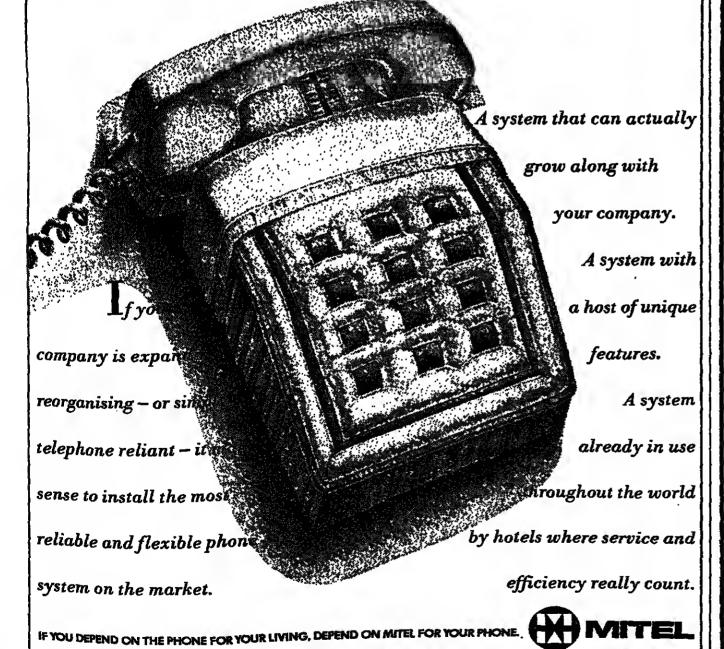
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Hurd publishes 'narrower' law on state secrecy

By Michael Cassell, Political Correspondent

THE GOVERNMENT last night published a Bill intended to replace the unworkable, "catch-all" Section 2 of the Official Secrets Act which it claims will drastically narrow the scope of official informa-tion covered by the criminal

. ...

The long awaited reforms to the present secrets laws were described by Mr Douglas Hurd. the Home Secretary, as a notable essay in openness."

The Bill was at once attacked, however, by the Government's critics, who claimed the new proposals were more repressive than those they are designed to replace.

The opposition Labour Party accused the Covernment of

accused the Government of accused the Government of becoming "increasingly author-itarian and secretive", while the Campaign for Freedom of Information said the Bill was designed to prevent the public knowing about abuses of gov-

As was the case in the June policy document, the Bill sets out six categories of information, the disclosure of which will be covered by the criminal

They embrace defence, security and intelligence, information passed between govern-ments or that relating to international relations, any information of use to criminals or information relating to, or arising from, interception activities.

In every area but security and intelligence, the prosecu-tion will have to satisfy a jury that disclosure, including that by journalists, has harmed the

public interest. People convicted under the prison sentences of up to two

they will have to prove that they have kicked the habit,"

Mr John Wakebam, chairman

of the Government's ministerial group on alcohol abuse,

By Lisa Wood

of permanent ban

Drink drivers face threat

TOUGH NEW measures against convicted drink drivers are planned by the Government. Some drivers may be banned from the roads permanently if they fall medical tests.

The tests will apply to drivers ere convicted of drinking 2½ times the legal limit – the equivalent of about six pints of beer or two bottles of wine; those with two drink driving bears and those discontinuous and the same are planned by the Government.

It wasn't simply

a matter of life or death.

It was more

important than that.

The first highland malt whisky in Scotland to be given a producers licence under the 1823 Act was The Glenlivet. Rival whisky makers were so jealous that they threatened to burn The Glenlivet Distillery

So it was guarded night and day by George Smith,

The Glenlivet's founder, with a brace of pistols

To protect his precious whisky

case of The Glenlivet?

Alexandra Company

112

work without anthority is

always harmful to the public interest and should always be

an offence.

The measure is intended to

enshrine in the new legislation

the duty of lifelong confidenti-

ality for members of the secu-rity and intelligence services. The issue was at the centre of

the political storm arising out of the publication last year of Spycatcher, the memoirs of Mr Peter Wright, the former MI5

The Bill contains no public interest defence, which would enable those accused to claim they had acted on the interests

of the country, and neither will

the previous publication of classified material provide an alternative defence. In both cases, however, it will be up to the prosecution to prove harm

has been done.
Mr Roy Hattersley, the
Labour spokesman on home
affairs, said last night that, far
from liberalising the secrecy
laws, the Bill sought to give

government greater powers to withhold and conceal information which it might find politically embarrassing if pub-

lished.

Referring to a passage in the Bill which says any servant of

the state or government con-tractor is guilty of an offence in making any "damaging" dis-closure", he added: "Every-thing that the Government

defines as relating to security

must remain secret at all times. They, and they alone, decide on what is secret."

urine sample for analysis.

Drivers convicted of certain

drink offences will have to undergo a medical examination by a Department of Transport approved doctor.

SE fines two securities houses for late reporting

SEAQ prestige also dented by zero margin trade

TWO securities houses have years and fines of up to \$2,000. been fined by the London Mr Hurd said that the Gov-Stock Exchange for trying to falsify the market by late trade ernment firmly believed that, reporting.

A spokesman for the Stock for members and former members of the security and intelli-gence services, the disclosure of information about their

Exchange said yesterday that the market maker involved had been fined £25,000 and the broker £10,000.

Under Stock Exchange rules, the price and size of all deals in leading stocks must be published within five minutes on its automated prices quotation system, SEAQ, to ensure that the entire market is aware of

transactions taking place.
In this case, the market maker is believed to have delayed reporting a transaction after being unable to dispose of part of an order which had been sold and booked as traded by a broker

The Stock Exchange yester day declined to say when the offence occurred or to identify either of the firms tovolved saying only that they belonged to separate securities houses. This is not the first time that

a securities house has been fined for late trade reporting, but it is the first occasion on which two separate firms have been punished for colluding.

The Stock Exchange is also preparing to warn market makers that they will be penalised if they permit unofficial inter-dealer broking to take place. News of the fines broke on a

day when the prestige of SEAQ suffered a further dent with Shearson Lehman, one of the smaller securities houses, cock-ing a snook at the market by offering identical buying and selling prices on a selected

On Tuesday, Shearsons offered a zero margin on 10,000 shares of British Aerospace, while yesterday they repeated the exercise on batches of 5,000 shares of Rank Organisation.

However, by 3:45 yesterday afternoon, Shearsons had been forced by market pressures to resuming trading at a margin between buying and selling prices around those of other

The move was a deliberate protest by Mr Bernard Leaver, chief trader at Shearsons since May, at moves by larger securities houses such as Phillips & Drew and Barclays de Zoete Wedd to trim the spreads they broadcast on SEAQ and offer only a small number of shares for dealing

A spokesman for the Stock Exchange said that Shearson's zero margin had been "trading within the rules."

However, these and other recent controversies over practices by users of SEAQ would sidered in the course of the UK equity market review. This is presently under preparation by a Stock Exchange subcommittee which is due to report in March.

 Separately, Morgan Gren-fell, the merchant bank, said yesterday that it is considering a return to the Stock Exchange floor in order to deal in British Steel shares.

Dealings in the stock, the

Government's latest privatisa-tion issue since the sale of BP shares last year, start next

week.
Should it return, it would do
so only to deal in amail
amounts of shares; large blocks
would still be dealt through The Stock Exchange con-firmed yesterday that it would allow Morgan Grenfell to deal

on the floor.

It said that had not yet received similar requests from

Flexible shift deals sought for railways

A NOVEL three-day working week with shifts of 13 hours daily for some track mainte—The latest proposals have "The latest proposals have very deep implications for us." The move to introduce nance staff has been proposed by British Rail. three-day weeks, alongside six and four-day weeks, is seen by

The plan is part of a package of changes, including the introduction of a more flexible grad-ing structure for nearly 14,000 station and depot staff based on skills and the extent of supervisory responsibility, which was put before rail unions this week.

The plan to introduce more Mexible shift patterna is believed to be the most radical by a large UK employer. It is the latest stage in BR'a strategy of improving efficiency by changing working practices, decentralising collective bar-gaining, and bringing in perfor-

nance-related pay.

Rail unions have already agreed to the ending of demarcation between drivers and conductors, and BR says it wants the more flexible shifts in place early next year. Rail unions told Mr Paul Watkinson, BR's chief personnel officer, on Tuesday that they were prepared to join working parties to examine further changes but they said that this did not signify agreement to existing proposals for changes. Mr Jimmy Knapp, general secretary of the National

deadline put back by three weeks

BR as a way of allowing for essential maintenance work to

be carried ont by its 16,000

track maintenance staff with a

minimum interruption to ser-

BR, which employs 130,000 rail staff in total, also hopes

that the revised grading for station and depot staff will

help ease a mounting recruit-

ment crisis among its lowest-paid staff, among which there has been sharply higher labour turnover to the south-east over

The NUR, traditionally a highly centralised union has

been devolving power to its regional offices in an effort to respond more effectively to planned changes by local RR

anagement. The union still fears, how-

ever, that BR'a latest proposals

are aimed at undermining its organisation and says that the problem of recruitment can be

solved only by increased pay. One NUR official said last

night there would have to be "money on the table" before his union would seriously con-

the last two years.

By Kevin Brown. Transport Correspondent

Brel bids

THE deadline for private sector hids for state-owned British Rail Engineering (Brei) has

The postponement is not expected to lead to a big delay in the timetable for privatisation, planned for the New Year. British Rail, which is handling the sale of Brel, refused to comment, but the deadline is understood to have been moved from today to December 21.

The postponement is thought to have been requested by one of the two bidders — a consortium of Brei managers and employeaa, together with Trafalgar House and Asea Brown Boveri the Swedish/Swiss electrical engi-

neering group.
The consortium and GEC, the only other bidder, submit-ted their initial bids on October 7, but have held long talks since then

The timing of these additional talks is thought to have been difficult for the mana ment consortium, which is led by Mr Peter Holdstock, Brel's managing director, and the company's five other executive directors.

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Undoubtedly our UK experience was helpful, but it was not directly relevant to many of the Turkish problems.

The banking system operated with a limited communications technology and had never handled a share issue before, let alone a privatisation with mass

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The Glenlive

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The driver's seat is adjustable for height and lumbar support. There are remotely adjustable door mirrors plus remote releases for the boot and fuel flap.

And these contemporary conveniences are complemented in Rover tradition by tinted glass, burr walnut veneer and seats as wide as in the 800 flagship, the Sterling.



118 brake horsepower. (That's 120PS.) And it won't break the bank.

Yet an 820e costs just over £13,000. So it's hardly an extravagance. Especially when you compare the more expensive, somewhat more basic Mercedes 190E.

Compare its rivals too, for performance.

The BMW 520i is also more expensive than an 820e, but not nearly as quick. This fuel injected Rover can do 0-60 mph in 10.0 seconds. (The

BMW takes 11.6 seconds.) And in the right conditions, it has a top speed of 119 mph.

Yet it's still economical. At motorway cruising speeds, the 820e can travel over 540 miles on a single tank. That's further than the whole of the M5 and M6.

It's on such long hauls that the 820e reveals its true Rover qualities. Autocar took one 650 miles from London to Stuttgart. Their 820e whisked them there "in near perfect comfort at a steady 110 mph on the autobahn."

With all this, it's not too surprising that the 820e is seen as a company directors' car. This is flattering for us at Rover, but a little puzzling considering its price.

At £13,185, any businessman can afford a Rover Easily.



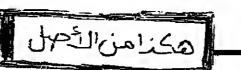
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Edwardes cuts HQ staff at **Charter Cons**

By Kenneth Gooding, Mining Correspondent

CHARTER CONSOLIDATED. the UK industrial group currently in the process of a shake-up at the hands of Minorco, the South African controlled investment company, yesterday amounced the departure of another long serv-ing director and said that about half of its headquarters staff of almost 100 were being

£ 1988

made redundant.

Minorco, which is based in
Luxembourg and owns 36 per
cent of Charter, moved in on

His arrival coincided with the resignation of Mr Neil Clarke as Charter's deputy chairman and chief executive. Subsequently Mr Ian Little, deputy chairman and chief executive of Anderson Strathclyde, Charter's mining equip-ment subsidiary, resigned.

Yesterday it was the turn of Mr Anthony Owston, 47, who has been with Charter since it was set up in 1965. He has been the executive director responsi-

the UK group three weeks ago as part of a change in strategy.

Instead of being a passive investment company. Minorco intends to have "hands on" throlvement with companies in which it has substantial stakes.

Sir Michael Edwardes, who was recently appointed chief executive of Minorco, is now also non-executive chairman of Charter. He was said yesterday the executive director responsible for Charter's mining interests.

Some analysts suggested that the moves were part of attempts by Minorco to "clean up" Charter so that the UK company could be used as the vehicle for a bid for Consolidated Gold Fields, the UK mining and industrial group.

Minorco's recent hostile 52-9bn offer for Gold Fields lapsed when it was referred to

Charter. He was said yesterday lapsed when it was referred to to be the "catalyst" for the UK monopolies authority.

Pullmax plans machine tools plant in Britain

The company, which specialises in the manufacture of metal forming machines such as presses, is looking for a factory building to purchase in the north-east of England or South Wales.

A new company, Pullmax Systems is being set up to undertake development and manufacture of a new com-puter controlled punch press. The company will be majority owned by the Gothenburg-

UK manufacturing content of the new press would be 75 per cent and the factory would employ about 50 people,

PULLMAK, the Swedish reasons for setting up in the industrial holding company, is UK was the approach of the to build machine tools in the more open European market more open European market after 1992. It also needed more production space because its factories in Sweden were working at full capacity.

Punch presses are used for sheet metalworking in a wide range of industries, including aerospace, construction machinery and rail equipment. Pullmax said the UK market

for its British-made machines would be 70 to 80 units per year. Main competition at the moment is from West German

and Japanese companies.
A number of non-British machine tool companies have set up assembly or manufac-turing operations in the UK in ar cent and the factory would the past two years. The largest mpley about 50 people, is the Worcester facility of The company said one of the Yamazaki of Japan.

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As your happy Christmas draws nearer, please think of those whose hearts are filled with fear and loneliness. With your help now, we can still bring many of them tidings of comfort and perhaps even a little joy. THE DISTRESSED GENTLEFOLK'S

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Irish maintain reserve over Ryan

Kieran Cooke looks behind Dublin's silence over the priest's case

OR A people with a rep-utation for emotional-ism, the Irish reaction to the latest salvos from London concerning the case of Mr Pat-rick Ryan, the former mission-ary wanted in Britain in connection with a series of IRA murders and bombings, has been remarkably subdued.

Mrs Margaret Thatcher, the UK Prime Minister, and Sir Patrick Mayhew, the Attorney General, have made some of their most outspoken comments to date about what they feel is the lack of Irish resolve in the fight against terrorism. But while many private Irish reactions are unprintable, there has been no response from officials, apart from their saying that the whole Ryan affair is now in the hands of

Mr John Murray, the Irish Attorney General. The British, not the Irish, The British, not the Irish, are seen to be overreacting. Even Mr Gerry Collins, the Irish Minister for Justice, who earlier this year said that Sir Patrick Mayhew was unfit to hold public offica, has restrained himself. But unofficially the Irish feel that Sir Patrick has made a complete mess of the extradition process.

Under legislation passed by the Irish Parliament, the Dail, last year the Irish Attorney General must first be satisfied

There is no justification for describing Patrick Ryan as "Father", Cardinal Hume, der of Roman Catholics in England and Wales, said yes-

A statement issued on behalf of Cardinal Hume, who is visiting Rome, said: "Patrick Ryan walked out of his religious order and his ministry as a priest 14 years ago. In so doing he renounced the relationships which justify the normal use of the title Father.

"He must bear the sole

"He must bear the sole personal responsibility for anything he may have done since then. "The Catholic Church for its part unconditionally rejects violence and the paramilitary solution to the Northern Ireland problem.

that there is a "sufficiency of evidence" for extradition before allowing cases to go to court. The Irish say that Sir Patrick at first refused to abide by the new procedures. It has become clear that int-tial British documents request-

ing Mr Ryan's extradition had to be sent back: some of the supporting evidence on the Mr Ryan case supplied by Sir Patrick's office is said by the Irish to have been unintelligible. The Irish say that they were



Irish Attorney General

co-operating with the British.
They feel that Mrs Thatcher
has chosen to ignore the legal
realities of the Ryan case and
has decided instead to turn extradition into a political issue. The Irish accuse Mrs
Thatcher of playing to the
right wing of the Conservative
party and of giving support to
anti-Irish sentiments.
The British, once again, are

perceived by the Irish as being arrogant and highhanded. "Wa

our own legal system. The Brit-ish don't seem to have realised that yet," said one member of the Dail, the Irish Parliament

Any British charge that Ireland is harbouring terrorist suspects is received with contempt in Dublin. Ireland has as much, if not more, to lose than Britain through IRA activities. Violence in Northern Ireland can quickly spill over into the Republic. The Irish economy has lost many millions in potential investments because of the adverse publicity of vio-lence in Northern Ireland.

The perception is growing in Dublin that Mrs Thatcher, hav-ing failed to find a way for-ward on the problems of Northern Ireland, has become frustrated and tired. She now focuses on terrorism and the security lesue to the exclusion of all else.

An emotional anti-British backlesh is underway. Even if Mr Murray allows court action to proceed the Government of Mr Charles Haughey, the Iriah Prime Minister, will come under increasing political and public pressure to have the case dropped. The present Extradition Act is due to be reviewed by the Dail part reviewed by the Dail next Tuesday. The Mr Ryan affair could not have happened at a

Private sector urged to accept health training obligation

MR DAVID MELLOR, Minister MR DAVID MELLOR, minister for Health, told delegates at the Financial Times private health care conference in London yesterday that the private sector needed to face up to its obligation to train medical staff. Competition with the National Health Service had to be fair and seen to be so.

be fair and seen to be so.

The private sector's present input to training, he said, was patchy and mainly provided by the larger companies to meet their own needs. Some 30,000 qualified nurses were employed in the private sector at the end of 1985 said Mr Melat the end of 1986, said Mr Mel-

The demographic impact on new recruits to nursing in the next decade made it vitally important for the private and public sectors to take the trainpublic sectors to take the training of qualified staff seriously.

Mr Mellor said the extra £2.2bn for the NHS next year, announced in the Chancellor of the Exchequer's autumn state-ment, demonstrated the Government's commitment to the service as the mainstay of the nation's health care system. He said: "We have moved well away from the sterile and self-defeating conflicts of the 1970s. We now have a healthy

choice."
The NHS could, however, benefit greatly from the spur of a flourishing private sector. A shift in public attitudes to health care and an increased awareness of the potential range of health care services meant that a growing number of peopla were investing in their own health.

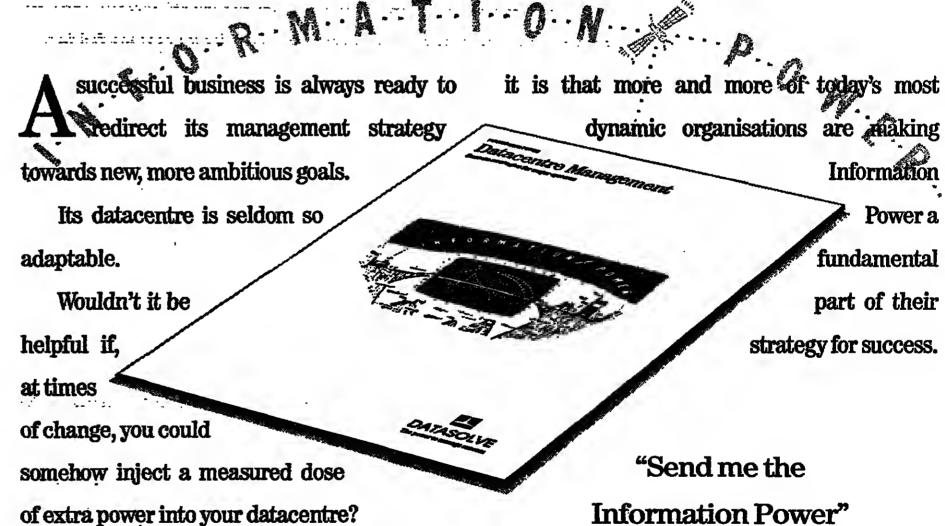
Mr Mellor said the private sector now treated more than 400,000 people a year. Health services supplied by the pri-vate sector accounted for more than 9 per cent of all hospitalbased services compared with 7 per cent in 1984

Since 1979, he said, there had been a 56 per cent increase in private hospital beds, with currently 10,000 beds in about 200 hospitals - 18 beds per 100,000 of the population. The number of nursing home heds had increased by more than 100 per cent in the same period to the present total of 52,000 beds in more than 2,000 homes. Some 5.25m people were now covered by private medical insurance, double the number in 1978,

said Mr Mellor. Mr Mellor said the Government might consider a cutback

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guarantee the security of information held on a computer is difficult enough. To safeguard that information when it is travelling across a country – or even a continent

same things at the same time," says Peter Jackson, operations director of Brighton-hased Computer Security, which specialises in computer and net- is a monumental task. Many companies are finding that data communications are the Achilles heel of their com-puter security systems. "The important thing is to define work security equipment. "For example, a bank moving a large amount of money between sites may not mind people knowing that the money is being transferred, but the integrity of the information is crucial — an extra zero can make a lot of difference. On the the other hard are ill company. exactly what you're trying to protect and what you're protecting it from," says John Ross, consultant with software house Logica. "Then you have to decide how vulnerable the information is and whether it the other hand an oil company which wants to inform its offices about an oil strike will

 Authentication: making certain the information has come from the person who claims to have sent it. It is particularly important with services such as Eftpos (electronic funds transfer at point of sale), where funds are transferred from one bank account to another when a customer buys goods. Confidentiality: ensuring information is not disclosed to

information is and whether it is worth the cost of protecting The four criteria for a secure

> One worry expressed by many companies sending data across networks is that they have no control over the per-sonnel who may have access to the information. Their messages have to travel along com-munications links run by the telephone company – unlike a stand-alone computer where the company can vet everyone with access to the system. Pri-

want the information to be

confidential."

ticularly important for legal

"Not all customers want the

Continuing a series on computer security, Della Bradshaw looks at the protection of data in transit En route to the right combination

unauthorised users.

Integrity: checking the information has not been changed in transit. Non-repudiation: guarantee ing the information has been sent and received. This is par-

vate data networks, where lines are installed between two
specific points for the exclusive
use of one customer, also go
through the telephone company's exchanges or sites.
"The most vulnerable point
in any network or computer

in any network or computer system is not the technology hut the people," says Barry Stuttard, managing director of Racal Data Networks, Racal is installing and will manage a private data network for the UK Government which will link together 85,000 terminals at 4,000 locations, including Inland Revenue and social security offices.

The element of a communi-

cations network most likely to he targeted hy would-be thieves or vandals is the switching centre, which directs

the computer information to its final destination. "If you can get into the switching room you can sit down at a terminal, get into a company's computer system and change all the security codes," says Nick Swain of UK consultancy group Rosys. "That would mean you could get access to confidential information probably without anyone even knowing. It's just like cutting yourself an extra set of keys." One way of making data more secure is to choose the right type of signal for transmitting the information, whether it is over a public or a private telephone network. Packet switched networks, for example, which use internationally agreed standards called X.25, have three ele-

ments which make them more secure than the ordinary tele-phone networks. (Packet switching means the information is cut up into packages of data to be sent over the line, each carrying an address to ensure it reaches the right des-tination.)

First, as the packets of data are sent across the network they are mixed at random with packets sent from other users to other destinations. In addition, different packets of data from the same message might be sent round the network by a different route. This means that if someone does intercept the data stream it is extremely difficult to work ont which packages belong to which mes-

Second, an integral safe-

guard of the X.25 standard is that unless the receiving termi-nal gets all the packets in the

the message.

Finally, companies which want to keep their data separate on packet-switched networks can use closed user groups (Cugs). To gain access to information within a Cug, extra passwords are needed.

correct order, it will not accept

Computer network security is becoming more important as an increasing number of companies hand over their communications management to third parties. John Wishney of Electronic Data Systems (EDS), believes fears about security are unfounded: "Because we are dealing with other people's information, the attention we would pay to security would in

all probability be more stringent than an ordinary telecom-munications department in a

big company. EDS can make the data more secure by encrypting it, a tech-nique used primarily in mili-tary communications. Encryption scrambles the data into an unintelligible form for trans-mission. If the recipient has the correct keyword or signa-ture, the message can be deci-phered on arrival.

The US firm RSA Data Secu-rity makes equipment using the RSA encryption system, named after its authors, Rivest. Shamir and Adleman. Jim Bidzos, president of RSA. believes that encryption can also help prevent the spread of "viruses" - rogue software which multiplies throughout computer networks and corrupts data. This is because the sender of an encrypted mes-

sage needs a signature. "A digital signature is a good first line of defence against viruses," be says. "If nothing else, you can find out where the virus came from. That in

itself will discourage people." There are devices commer-cially available (using RSA and other encryption devices) which can be attached to either end of a telephone line to encrypt and decipher the messages. They cost about

£1,000 for each line and can be used on the ordinary telephone or private data networks.
One service which poses its own security problems is electronic data interchange (EDI). which involves passing infor-mation, usually involces or orders, between two computers from different companies. John Jenkins, marketing and devel-opment manager for International Network Services (INS), the largest EDI company in the UK, says that security was one of the main criteria involved in setting up the INS network. INS uses security techniques such as encryption and X.25 signalling, as well as physical access control and a series of

passwords. However, Jenkins says that in the end it is up to the computer users to make sure that no access can be made to unauthorised sections - such a personnel records or neyroll of their computer systems,

In spite of the risks, few companies are taking the threat seriously, according to Stephen Thompson, sales and marketing executive at Plessey Crypto, which manufactures secure communications equipment. "Senior people in compa nies are prepared to pay £1,000 or more for a secure phone because they can understand that their conversations are valuable. But they're not so concerned about network secu-rity because they just don't see themselves as front-line computer users."

Previous articles in this series appeared on November 17 and November 24. The final one will be published next week.



The automatically decorated pizza

THE INCREASED popularity of the pizza in Europe calls for high-speed production at minimum cost. Pizza base production is already automated, but now the Dutch company Rifkaart, of Asperen near Amsterdam, has introduced a pizza decoration line (PDL), which can top pizzas at a rate of 5,000 per

The bases move on a belt and the various toppings are added Independently in an automatic line - the sequence being varied to suit the product. There are units to distribute the tomato pures grated cheese and chopped vegetables eventy,

Ingredients are not wasted. Topping that does not remain on the pizza bases falls down chutes and is returned to the appropriate line unit. PDL is available in the UK from European Process Plant. Banstead, Surrey.

into shape

THE UK Government's National Engineering Laboratory (NEL), in Glasgow, ls to conduct a three-year £2.5m research programme aimed at the continuous manufacture of the fibre component used in reinfor plastic parts.

At the moment such manufacture is labour intensive. A skilled operator has to cut fibre material, usually in sheet form, to make a "pre-form" which is held in shape by spraying it with a binder. The pre-form is then taken to the mould where it is impregnated with the hot is impregnated with the hot plastic. After setting, a strong component is formed, capable of bearing heavy loads.

NEL aims to mechanise production of the pre-forms to speed up output and cut the waste that results from manual cutting. A likely research direction is the use of robots to make the pre-form shapes from continuous fibre material.

The European market for thermosetting reinforced plastics will soon exceed

1 in annually and is expected
to grow substantially in the
coming decade. NEL believes
that if better process methods allowed these materials to be more widely used in load-bearing or structural applications, market growth would be even greater.

Flexibility in product lines

G. W. SOHLBERG, of Finland. is offering an automat movement system for use in light assembly factories, where flexibility is required in the kind of product being

made.
The system gives a controlled flow of parts and materials and the freedom to automate gradually. It uses ergonomically designed workstations linked by a workstations intice by a two-way conveyor bell that transports workpieces and materials on identical carriers (paliets). Each peliet has its own "escort memory" which carries full details about its load. The memorised data

load. The memorised data can be read and altered during production, allowing new workstation destination to be programmed to suit the

product.
The memory can hold address data, product codes processing requirements, a history of completed processes and similar data. This electronic flexibility is matched by the mechanical arrangements which are modular and easily changed.



WORTH WATCHING

Edited by **Geoffrey Charlish**

Larger liquid crystal display WORKING with IBM's

Japanese subsidiary, the

Tokya electronics group

l'oshiba has developed a 14-inch colour liquid crys

display (LCD) which it claims is the world's largest. Although such displays are advantage of being only an inch or two thick, they are difficult to make. This is ... because the screen consists of many thousands of rai picture elem each of which must be ... capable of alteration by the

picture signal ted in round the edges of the trame.

Complexity implies high cost, and the bigger the display area, the greater the chances of some of the picture elements being faulty.
The resolution (clarity) of

the colour picture is 778 elements horizontally and 550 vertically. The unit is designed for computer display work and up to 16 colours can be reproduced simultaneously. Toshiba believes that

ordinary office equipment will use such screens before long, but there is no release date for a commercial product.

A demonstration of disaster

THE UK's Harwell Laboratory used a large-scale computer simulation to pinpoint the way fire spread in the disaster— at King's Cross underground

Using a Cray-2, one of the world's biggest computers, and a program called FlowSD, which models gas flow, the scientists discovered what has become known as the Harwell trench effect. This is the flow of hot gases up the "trench" formed by escalator balustrades and steps - a phenome previously unknown to fire

experts.
Flames rapidly accelerate the trench and into the booking hall, whereas the conventional expectation would be for them to rise more or less vertically towards the escalator shall

ceiling. The effect was later the UK I confirmed by the UK Health and Safety Executive using a one-third scale model. To simulate the fire, the Harwell team broke down th three-dimensional plan of the station into 15,000 cells, each

station into 15,000 cells, each 1 cu m, and then calculated what changes were taking place in each one over a 10-minute span — in time steps of 0.1 acconds. The results showed that the trench behaved rather like a chimmey, sucking in air and propelling the fire up the escalator.

CONTACTS: Ripaser: The Netherlands, 3451 14441 or in the UK on 07373 53482. National Engineering Labora-tory: UK, 03552 2022. Soliberg-Sur-tecti: UK, 0256 470948, Toshiba: Tokyo, 457 2104. Harwell Laboratory: UK, 0235

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LAW AND SOCIETY

The crowded world and global markets

By A.H. Hermann, Legal Correspondent

young woman travelling alone heard anguished cries from a neighbouring compartment. She thought: "Someone is being murdered and I ought to pull the emergency cord." But she remained glued to her seat and did nothing. A woman next door was murdered.

When she later told her story in the witness box, the judge was critical of her behaviour. "She ought to have pulled the emergency cord," he said, "one must not remain impassive when witnessing how someone is being murdered." What the Crown Court's

judge said did not change English law which does not ohlige anyone to come to another's rescue. But he expressed the moral feeling prevailing in other systems of law, which requires the onlooker to attempt rescue if it can be done without grave danger to himself. This concept of responsibility for those who need our help in misfortune is bound to cross the English Channel sooner or later: in our present society, safety cannot be guaranteed by absent police, only by mutual help.

It may be asked why it has

taken so much longer in England to discover this simple truth which in civil law systems springs from the "nat-ural" principles of law. The charitable explanation is the Victorian virtue of self-reliance and non-interference. Another possible explanation, in the words of Professor Basil Markesinis of Queen Mary College in London, is the elevation of private selfishness to a public virtue. However that may be, the survival of rules which many perceive as wrong because they work against the general well-being, is greatly helped by the belief still cher-ished by most lawyers that law is intrinsically amoral and has nothing to do with justice.

In contrast with this "posi-tivist" legal philosophy, the great civil law codes which musiroomed on the Continent around 1800, are all based on the Kantian concept of "natural" law - a term which survives in the English process to describe the equal right of the parties to be heard and to be protected by the "due process It provided the ideological basis of the highly political proclamation of "human

in the pest, this Kantian con-cept — which attributes to mankind the ability to distinwas very much at home in English courts. The evolution of common law and its merger with equity is unthinkable without the belief that the job of the judge is to dispense justice - a conviction held by all the great reforming judges and propounded in our time hy

For this reason it is fitting that Professor Markesinis, in his inaugural lecture today as Denning Professor of Compara-tive Law at the University of London, should choose to analyse the important House of Lords decision in Smith v Lit-tlewoods, where, as so often today, common law indges moved closer to civil law solu-tions under the pressure of social change and practical

The dispute of Smith v Little-woods was over a fire started by hooligans in an empty cin-ema. It spread to adjoining

such as the hooligans in the premises and caused damage to the plaintiff's property. The By contrast, Lord Goff stuck booligans were not in the cinto the common law more rigor-ously when he said that there ema for the first time but none of those people who witnessed was no liability for "pure omis-sions". He concluded that to

their previous intrusions reported them to the police. Were the defendants liable to neighbours in damages because they failed to secure the cinema against unauthor-ised entry and to keep en eye on what was happening in it?

Translated to the circumstances of a town dweller how can one protect an apart-ment, an office or a shop in a large building against fire, flooding and burglary unless other tenants in the same

In a global securities market, rules can only be enforced by international co-operation

building take precautions? In contrast to civil law, English law does not recognise liability for omitting to do something which is not imposed as a spe-

cific duty by law.

The plaintiffs lost the case on facts, but Mr Markesinis thinks the law moved closer to civil law practice because Lord Mackay, the Lord Chancellor, spoke of a "standard of care" owed to one's neighbours. A reasonable man, said Lord Mackay, was bound to foresee when there was more than a mere possibility that his action or his omission would lead to damage or injury to another, whether caused by the elements or by a third party -

impose "a general duty on occupiers to take reasonable care to prevent others from

entering their property would impose an unreasonable burden on ordinary householders." He also feared it would open "floodgates" to claims. But even he did not exclude the possibility of revising the nonliability rule omissions, pro-vided that such revision devised strict limits to soch new hability.
Not unreasonably, Mr Markesinis views the majority judgment as a step towards a gradual adoption of the civil law concept of duty to protect, and rescue, if necessary, your neighbours — a trend which, in my view, can also he detected in what the Crown

Court indge said about the woman who did not pull the emergency cord.

The benefits which the common law can derive from the study of civil law systems has been pointed out by Mr Markesinis on many occasions and sometimes the Law Lords have proved him right. He is the

rare type of a down-to-earth

comparative lawyer, rather shy of big ideas but through his

practical approach, often con-tributing more to the harmoni-

sation of European law than the Brussels prophets of Euro-

However, the similarity of couditions requiring similar laws is not the only and per-

haps not the strongest force for legal integration. The need for uniform rules governing activities which take place between countries, and on the high seas and in the air, has led to several successful attempts agreed between governments with the help of United Nations agencles of which the foremost is the UN Commission for Inter-

national Trade Law in Vienna. Of even greater urgency is the need for a globalisation of the securities law. In a global securities market, only the naive, or those who do not want to see, can rely on national enforcement of rules. The attempt by the US authorities to make their securities

laws universally applicable by trying to enforce them against whoever dealt from abroad in the US markets, failed as it was bound to fail. The Securi-ties and Exchange Commission of the US, has given up its 1994 doctrine of "waiver by con-duct" according to which the purchase or sale of securities on a US market can be deemed to imply consent of the foreign dealer to disclosure of relevant information in US administra-tive or indicial proceedings, regardless of any foreign secrecy laws.
Instead, they offer full

administrative and judicial assistance in the US to authorities of other countries investi-gating infringements of their own securities rules. They do so in the hope that other countries will reciprocate, recognising that without international co-operation they cannot enforce their standards against fraudsters who have no assets within their jurisdiction and



Bastl Markesinis, who this evening delivers his inaugural lecture as Denning Professor of Comparative Law

never set foot in the proximity of the market in which their

deed was done.

Another consequence of the bal securities market is the belatedly recognised impossi-bility of operating such a com-plicated and pedantically drafted set of rules as presented by the Financial Services Act. The Government now appears to he inclined to reduce it to some 100 principles. This may well prove to be 98 too many. One might do bet-ter by repeating that to deceive the customer for gain is fraud on the part of the dealer, and that no one can serve two mas-ters, however many Chinese walls there are in his house. Even the most devoted adherents of the present fashion of statutory drafting now agree that the multitude of variations in securities fraud can be hetter prevented by the

enforcement of a few simple

principles than by a confusing web of pedantic rules creating just so many loopholes.

There are many instances of giobal markets requiring an internationalisation of law and its enforcement, but none so urgent as the need for a world law to keep the earth's envi-ronment in a fit state for the survival of mankind. The EC Transfrontier Directive could do something to regulate shipments of dangerous waste across the internal frontiers of the Community and their Bot the Community is too small to deal with the poisonous or other harmful snbstances released into the air. Who would have said 10 years ago that this is a matter for which a British Cabinet minister will seek a solution in talks with the Chinese. Even lawyers must now recognise that we live in one world.

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THE FINE ART OF FLYING

AIR FRANCE

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conditions precedent to such redemption have occurred.

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Deted: December 1, 1988

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Pop goes graffiti

ER 1 1988

William Packer on Warhol, Basquiat and Schnabel

at only 57 years old, but already a representative celebrative for himself but for the times he lived through. His reputation as an artist within the art world stood as high asever, and if a wider public was more sceptical in the view it took of his work. sceptical in the view it took of ms work, it had no dealyts as to fame he had won simply for being himself. His influence was real enough yet oddly institious and hard to define, for while he remained ever oblique, impassive and ironical in his own work, he was also an example and stimulus to other artists.

One of the volumeer writes he

and stimulus to other artists.

One of the younger artists he befriended and succuraged in recent years was Jean Michel Basquiat, one of the so-called graffiti painters of New York who enjoyed such a succes fou to the early 198ts. He too died, at 27, last August He had an undoubted if superficial graphic gift, his line febrile and energetic, his imagery, with its cartoon grotesquerie and unself-conscious simplicity and directness often terms and

greesquerie and unself-conscious simplicity and directness, often fanny and sometimes rather touching.

But such a scatter of images, that might suitably sit on the limitless expanse of a long, public wall to be read incident by incident as one passes by, could only seem arbitrary when held within the conventional limits of the canvas. But into the galleries went the canvasses, closely followed by the collectors and curators.

lectors and curators.

In his later work, however, there were signs that his painting with no loss of character or energy, was developing, becoming richer and tougher in the handling, and more dense in composition and imagery. Certainly the paint-ings shown at Rosc in Duhlin in the summer, sadly coincident with his death, were his most interesting yet. Or rather the most interesting until now,



Basquist/Warhol "Collaboration," 1985

when the collaborative paintings of Warhol and Basquiat are filling three of London's galleries at once — the Mayor Rowan Gallery (31a Bruton Place W1), the Mayor Gallery (22a Cork Street W1) and David Grob Ltd (4th floor, 20 Dering Street W1) — where they remain on show until January 21

show until January 21.

Their collaboration extended over 1984 and 1985 as a kind of active painterly dialogue with each responding in turn to what the other had done on the canvas, changing, modifying even obli-terating. Basquiat's directness of approach provoked Warhol into returning to more direct methods himself, leaving the impersonal screen for paint and brush, but the more profound effect was worked on Basquiat by Warhol, whose sense of structure and command

of scale underpin the whole exercise.

The results are engaging, impressive and often very funny, with Basquiat's presence always the more obvious, War-hol's characteristically the more sibyl-

Weiss's revolutionary inmates enacting the death of Marat in

a motor-bike beset by what appear to be three primitive figures that may be martians or savages. And here are some bowls of fruit and a wonderfully demented mask. Layers of slogan and image are finally resolved into a dog or donkey on a red field beneath the leg-ends: Subway Fire and Soviet Spy?, Cats, Mickey Mouse, Mayonnaise, The Eiffel Tower, a Red Dog — so the fun

and games continue.

In the catalogus, Keith Haring, another young painter and friend of both of them, speaks of their collabora-tion as "two amazing minds fusing tion as "two amazing minds fusing together to create a third, totally separate and unique mind," which is rather to over-egg the pudding. When he says "The sense of humour which permeates all the works recalls the laughter which surrounded them while they were being made," he is much they were being made," he is much

Meanwhile, at Waddington Galleries (11 & 34 Cork Street: until December 23),

they are no surprise. The problem with Schnabel, or rather the problem for Schnabel, is that he cannot paint, which for a professed painter is always tricky. His solution is as bold as it is transparent and we can only admire his

The thing is, first, to work on the largest scale: any large canvas is impressive, the more so when set into an old, heavy and handsome frame. Then the surface must be distressed in Then the surface must be distressed in some way, so that to paint at all becomes remarkable. So it is with his broken crockery paintings which here carry a series of large, simple and crudely painted heads. It is the old story again of Dr Johnson's dog on its hind legs.

The work in the corner gallery is even more dubious, so evidently devoid is it not merely of any pictorial charm or technical facility, but of any discernible point. A print pasted at the centre of the huge canvas, a smear of paint and a daubed slogan — la Banana e Buona another star of the New York firms and that is about it. The largest, empti-ment, Julian Schnabel, shows his latest works. They are no disappointment, for Morons," which says it all.

The Fairy Queen

MIDDLE TEMPLE HALL

Purcell's "semi-opera" is generally despaired of as one of the more frustrating mirages of English lyric theatre - a compendium of musical glories, each number richer and more dramatically potent than the last, married to a misshapen, shortwinded libretto. Every time it is announced for performance one's heart leaps, and in almost every experience joy is tempered by ultimate disap-pointment; for in concert performances the loss of the spoken passages shortchanges Purcell's supreme theatrical sense, while in most fully staged realisations the essen-tial imbalance between the greatness of the music and the poverty of the 1690s "improve-ment" of Shakespeare's Dream proves hard to correct. So the student Fairy Queen production performed three times in Middle Temple Hall this week, intensely enjoyable and delightful all the way through, was something of a miracle. The hall itself, with its strong Shakespearean associa-

performance, on Tuesday, the work seemed to be holding together more surely and vigorously than I can ever recall it doing before. It was the product of international collaboration – singing (also dancing) and acting students from the Guildhall School, the Baroque Orchestra from the Hague Royal Conservatory, William Christie (of Les Arts Florissants renown) as conductor, Robin Midgley as producer in the simple, practical, aptly stylish designs of Clive Lav-agna. The sponsors were Link-laters & Paines; the same

forces will give two Hague per-

formances next week.

The chief strengths of the production were the brilliant dramatic vividness Christie and his band found in every ber, and the burning conviction of all on stage that (in spite of those horridly nugatory emendations of Shakespearean language, those feeling motivated interruptions of the play for measure and table the play for masque and tab-leau) the vehicle really can move, not creak, forward. In context, such perfect master

pieces of song as "If Love's a Sweet Passion" - surely one of the most erotic inventions in English music - or the Plaint gather new long-range power, and because of the joyously unconstrained occopation of the stage space that Mr Midg-ley had inspired, there was a seamless mesh of song and

Perhaps one noted a slight discrepancy in technique between the student singers (none of whom seemed have attained the last degree of vocal dexterity in coping with their solos) and the mostly far more polished student actors (among whom the hardhanded men, wonderfully loosejointed and eccentric, particularly stood out - William Ashcroft, a rancons North Country cherub of a Bottom, is a comic star in the making). On the whole, though, the experience was something of a revelation. I hope representatives of our larger professional opera com-panies did not miss out on it.

Max Loppert

Bottom's Dream

SADLER'S WELLS

tions, may have provided the benediction, for at the second

London Contemporary Dance Theatre's new programme this week brings three creations from the company ranks: wel-come proof that as it enters its third decade, LCDT is still making fresh dances as well as dancers. Chief interest must be dancers. Chief interest must be accorded to Jonathan Lumn's Bottom's Dream, which I take to be a revision of an earlier workshop piece. It is set to Mozart's "Dissonance" quartet, and applies the ideas of discord and its resolution to the matter of human relationships. And especially, we infer, to those which fuel the action of A Mid-summer Night's Dream. But we should not seek for literal correspondences with the play; the four couples — and espe-cially Anne Went and Christopher Bannerman - inhabit a world of unsatisfied and unrecolved tensions whose release comes with the quartet's last

Mr Lunn exposes these emo-

tional dilemmas to the most fluent and assured choreography I have yet seen from him, the dance having a fine nervous edge as embraces dissolve in disillusion, demands remain unanswered, appeals are rejected. It is quirkily dressed - the cast acquire clothing as the action progresses - hnt admirably and expressively danced.

For Christopher Bannerman, Satie's Trois Gnossiennes evoke moments from some forgotten ritual. Tracey Fitzgerald, Andrew Robinson and Kenneth Tharp move with a trance-like serenity, a simple gesture - a pointed finger, a hand bent back - acquiring a mysterious significance. It is like looking at a fragment from an antique fresco which hints at unguessable rites.

Darshan Singh Bhuller's Interlock might also be part of a fresco: one of those Indian erotic scenes in which divini-

ties perform prodigies of ath-letic love-making. Mr Bhuller and Anne Went are driven and inspired by sitar music to passionate and sculptural extremes, moving, then congealing, with sinuous freedom.
There is not much move-ment in Daniel Larrien's Good Morning Monsieur, which boasts an unpunctuated title and little else. I am increasingly of the belief that some French choreographers think modern dance is an excuse for unbridled cuteness. Larrieu brings on 11 dancers, wearing shirts and club ties and rather Balinese-looking trousers, and while a harpsichord unpicks some Couperin, his cast stand about and look quaint as they posture in a witless fashion. Dance they do not. The piece could be nseful as remedial therapy in other surroundings; as choreography for LCDT it is

a non-starter. Clement Crisp

The Churchill Play

ment to date.

BARBICAN THEATRE

When first performed at the Nottingtiam Playionse in 1974, Howard Brenton's futuristic dystopia projected the Government's interminent policy in Northern ireland onto the British manifold, where wholesale political dissusction would political dissusction would lead 'nof to change and improviment, but to chaos and a curtainment of civil liberties

The year of this pessimistic fantasy was 1984.

The Royal Shakespears Company revived the play in 1978, still pedding a hard prophecy form, you could say, of left wing paramoia and diseachant. ment. The piece now arrives on the main Barbican stage, set in an unspecified future but now angrity riddled with "We told

inmates botch their break-out while performing a de mytholo-gising Churchill play for a visting House of Commons Select Committee team, the old jour-nalist Joby Peake mutters, à propos of the overflowing prisons and the loss of freedom, "And I never noticed." Before, it was World War Three.

A lot has happened here in ten years, and it is a mark of the play's vitality and strength that it can absorb the changes and retain its power as a dra-matic parable. The dumping of dissidents in British asylums or concentration camps is not on the agenda. But nor, a year ago, was the banning of media interviews with members of Simn Fein, nor the privatisa-

Brenton's play takes the European example of Gunter Grass's plebeians rehearsing the uprising, and of Peter

Member of TSA

same tragic, regretful charac-

Before, Joby was a Derbya tin bath for their aristocratic guardians. In Brenton's tin shire journalist who had bath, the prisoners playing struck a policeman on a picket Clairchill and Stalin recreate the Yalta Summit, with tha line. Now he is an editor who defied the journalists' union by pathetic figure of Peter Reece (Sean Baker), arrested that morning for nothing he knows working for a new foreign owner and who then upset the Government by printing a direct tricks story about terrorism. Unknown to him, his son was in MI5. The police turned over his office, removing documents in cardboard about, cast as a slippery bar of soon representing truth.

The Churchill camp is the nineteenth "special training centre" in Britain (we had 28. bones. Every possible Act, from Official Secrets to Anti-Terror-ist, was thrown at him, and he was sent to the camp for the belove) a cavernous aircraft banger in Lincolnshire well-autien to the bantalist environs of the Barbican itself and good of his health.

disagned on the big scale by Kit Sucrey with head-banging walls of corrugated from and piles of green oil cans. Other changes include the bitter onthurst of Geoffrey Freshwater's superbly exein-play, a complex prison sce-nario with fragrant marginalia Falklands veteran whose vileness is sanctioned by the of privileged life outside, as respect of a new age. And the closure of Leeds United after well as the accumulation of vividly reminiscent testimony drug-crazed hooligan support-ers known as "Inter-City Redeemers" have bombed a among the inmates, allied to a study of the insidiousness of euphemism, make this Brenton's most remarkable achievebridge on the M6 causing extensive loss of life. Phil Daniels and Richard

Barry Kyle's production is strongly played from the min-nte Colin Welland's Joby/Chur-McCabe are red hot as a couple of interned wild boys, while Ian Barritt as an appeasing Colonel and James Fleet as a chill rises from his catafalque en route to the Blaydon churchyard in 1965 and tortured liberal army doctor fully articulate another of the demands a light for his cigar. play's great themes, the wielding of authority in times when the pattern of life to which The play's best re-writing pulls off a stupping juxtaposition between Churchill's political such anthority refers, some drive through childhood sort of moral and civilian consensus, has completely disinte-grated. Herein lies the play's unhappiness and a fear of contracting the syphilis that destroyed his father, and Joby Peake's decline. Welland pulls this off with great power, ren-dering each story a facet of the richness, berein its disturbing

metaphorical significance. Michael Coveney

Electric Lontano

ST JOHN'S, SMITH SQUARE

Lontano's array of "Expatriates" at St John's on Tuesday offered the kind of Lontano's experience that causes the most devoted supporters of contemporary music to ques-tion their faith.

The audience could be num-bered in dozens, and few con-cert halls are bleaker when sparsely inhabited. Sixty-five minutes of music were con-tained in a concert lasting two and a quarter hours, and only one of the four works made any kind of positive impres-

That bright spot was Alejandro Vinao's Triple Concerto, in which flute, cello and plano conduct a dialogue themselves in very precisely synchronised exchange

It's successful partly because Vinao resists the temptation to over-complexity, keeping the live instrumental lines straightforward and ths carefully contrived sonorities therefore transparent, and partly because he has devoted just as must attention to the overall shape of the piece, giving a satisfying and easily apprehended three-part

structure. Neither of the other works that attempted to combine live instruments with synthetic sounds approached Vinao's success. Javier Alvarez's On Going On pitted a baritone saxophone or a "wind controller" against its computerised Doppeiginger, in a jagged monody that was surrounded by Bir-twistle-like spikiness — diverting at first but failing to live

up its initial promise.

The Londoo première of Denys Bouliane's Comme un silene entr'ouvert set alarm bells ringing with the preten-tiousness of its title and its programme note, which prom-ised material oscillating between "poly-metrical exploded form" and "pseudo-metrical melismatic varia-tions"

It proved to be a clotted battle between two instrumental trios each equipped with its own conductor, a piano and a tape, in which the exchanges seemed purposeless and which evaporated in the most sicklysweet piano solo. Not for the squeamish.

Daniel Asla's Dream Sequence 1 for solo amplified trombone at least had the merits of brevity and some wit. the dream of a fictional trombone player, but what new-mn-sic trombonists dream about apparently seems very much the same as they are required to perform, post-Berio, in their waking lives - to caress, serenade, chastise and generally arouse their instruments in a display that could hardly fail have its humorons

David Whitson was the excellent dead-pan soloist, but even he could not coovince one that the evening might not have been more profitably and infinitely more amnsingly spent at home, watching the nth repeat of Fawlty Towers.

Andrew Clements in the world of the camps where gossip and counter-gos-

A Question of Geography

It is strange that the RSC has recently given us mediocre Chekhov. John Caird's produc-tion of this glimpse of life, by John Berger and Nella Bielski, in the Stalinist Gulag I moments of rich texture when the worn fabric of real life, with its past as much as its present, is almost tangible. The mptation to use the term

"Chekhovian" recurs. There is the occasional clumsiness in the play's construction. The contents of the letter written by the long-lost hus-band in his distant labour camp are read by a disembodied voice as a spotlight illumi-nates the envelope. Sonia Ritter has the unnerving ordeal of making her first, and only, entrancs as an unknown woman late in the evening to launch, cold, into a mad scene - an episode that anyway smacks of dramatic contrivance. But the whole performance has a moving compul-sion about it; and the accepted day-to-day horror of existence

sip bravely fight off the prospect of another round of mass arrests and disappearances.

Seen last year at Stratford's designs take easily to the concrete wilderness of the Barbi-can and its studio theatre. The costumes are beautifully judged, from the steel-capped working boots to the pathetic for for that prisoner Lydia (an ex-factory manager, in for sabotaging the national econ-omy) dons for the weekly film at the Cultural Centre.

The "normal" life that humans battle for in hopeless circumstances is the play's burden. Telling details abound. Stalin is never mentioned; but when a teenager visiting his imprisoned mother suddenly bursts out with "He's going to die. He's not immortal. Then everything will change," every-body understands. The little cubicle made of hardboard as an improvised guest room for the boy has its door easily lifted off its hinges in an angry argument and we are aware

that a taboo has been broken; the illusion of privacy and dig-

nity must be maintained. Harriet Walter's ineffably moving mother glows with life. Her first meeting after 15 years with the child she left as a baby is unbearable in its restrained intensity. They stand at either end of the room as hope, regret, longing and joy

pass over her face. She cau-tiously touches his face in the subsequent sceoe, but a final, anticlimactic embrace follows much later. Her dignity as she prepares for the labour camp and oblivion is overpowering - full marks to Guy Fithen and Richard Leaf for oot overdoing the hrutality and stupidity of the guards. Full marks too to Susan Coverd's Lydia Clive Russell's weary doctor and Linus Roache, the boy who visits and decides to stay. The French Revolution's Terror was relatively short. How long has the Soviet Terror lasted? And is it really ending?

Martin Hoyle

ARTS GUIDE

EXHIBITIONS

The Royal Academy. Henry Moore, a full retrospective exhibition to mark the 90th anniversary of the birth of one of the great artists of the 20th century. Knds Dec 11.

The National Gallery. Rembrandt: Art in the Making. A small but highly informative study exhibition, prepared by the Gellery's technical department. Ends Jan 17.

The Tate Gellery. David Hock-The Royal Academy, Henry

The Tate Gellery. David Hock-ney: A Retrospective. London's main gallery of modern art offers a full study of the golden boy of British art at the age of 50.

Musée de Chury, Medieval art in Paris, Place Paul-Painlève, Métro Odéou. Closed Tuesdays and hunchtim Grand Palais, Scicento, Caravasgio's century in French collections. A dramatic production by Pler-Luigi Pizzi. Closed Tue, late closing night Wed (42.56.09.24). Ends Jan 2 pelle de l'Ecole des Beaux Arts. From Direr to Be Some 126 drawings lent by the Kunsthalle in Hamburg retrace the panorama of German graphic art. 14 rue Bonaparte (49.27.01.18). Ends Dec 31.

Le Botanique Contemporary Soviet Painting. Works of 12 modern Soviet painters including Steinberg, Rocter, Edzgveradze Filatov, Chvikov, Yankilevsky, Closed Monday, Ends Dec 31. Musée d'Art Moderne, 1-2 Place Royale. The First Group of Lac-them-St Martin 1899-1914. A tribuse to the colony of Flemish art-ists whose stylised paintings of rural and religious themes were to inspire a later school of Flemish expressionists. Closed Mon. Ends Dec 31. Musées Royaux d'Art et d'His-toire, Parc Cinquantenaire. China, Heaven and Earth, 5,000

years of Invention and Discovery. Instruments and artworks largely from collections in Bel-gium, Crima and Britain which illustrate Chinese innovations in science and technology. Closed Dermetadt

Hearisches Landessenseum. Glassworks and paintings of the British artist Brian Clarke will be seen for the first time in Germeny. Ends Jan 29.

Historisches Museum der Stadt When (The city of Vlenna's Museum for History). A commemoration of Kristallnacht. which took place throughout Austria on the night of November 9 and 10 1988. This exhibi-tion, which takes the form of slides, pictures and maps depicting Austria's 180,000 strong Jew-ish community before 1938, is an attempt by the Austrian Goverrorent to become more open. about its ignominous past. Ends

on The Austrian painter Walter Eckert is now on exhibition until November 20. Worth also seeing Gustav Kiim's famous Frieze now back in its original place. Ma sepalast. Post-war Austrian sculptures include Alfred Hrdlicks, probably the country's most celebrated artist. His work ing with several of his cor

pories are on display for several

Palazzo del Conservatori (Campi-doglio). Giass of the Caesars. Queues are stretching right across Michelangelo's Piazza, waiting patiently for a glimpse of the Campanage application of of the immensely sophisticated ornamental glass and tableware belonging to the imperial Roman court. Until January 31.

Venice

Museo Correr a la napoleonica: Giorgio de Chirico (1888-1978): a major retrospective organised jointly by the Galleria Nazionale d'Arte Moderna in Rome and the Giorgio de Chirico Foundation to celebrate the centenary of the painter's birth. Ends Janu-

Bologne

Pinacoteca Nazionale and Museo Archeologico. Guido Remi (1875-1842). A splendid collection of paintings by the Bolognese mannerist painter, the first to bring physical beauty into sacred art. Until Dec 8.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the lhambra that dates back to 1580. Rnds Jan 8. Metropolitan Museum. The first major Degas retrospective for over 50 years has 300 paintings, sculptures and drawings covering the artist's entire career and

sical motifs and stiff portraits to the ballet studies and washer-women that freed his imagina-

November 25-December 1

Art Institute. Paul Gauguin. The artist's first major retrospective for 30 years includes more than 230 objects and paintings from all the periods of his exotic and far-flung life, Ends Dec 11.

Westington

National Gallery. The largest show of Michelangelo's drawings ever mounted in the US flue-trates all the principal phases of his artistic development, divided into sections on draughtsmanship and architec-

National Museum. Treasures from Horyuji. A selection of priceless artefacts from the great temple in Nara, donated to the imperial Household 110 years ago and housed at the National Museum since 1964. Closed Mon-

days. National Museum of Western Art. Japonisme. A major exhibition, seen earlier this year at the Grand Palais in Paris, which explores the influence of Japan on the art of the West in the late 19th century. Closed Mondays. Teien Museum. Paintings by Leonard Fujita. Fujita (1886-1968) was one of the first Japan artists to live and work in France and his arrival in Paris in 1913 coincided with the first flowering of modernism. This representative selection of 40 oil paintings is drawn from all periods of his long career. Closed Mondays.

SALEROOM

Demand more selective Sotheby's major Impressionist

and modern picture sale on Tuesday night was a faded car-Toestay hight was a landed car-bon copy of Christie's the pre-vious evening. Sotheby's had no masterpiece like Picasso's "Acrobate et Jeune Arlequin," which sold on Monday for a record £20.9m, but once again the good expensive pictures found buyers while there was little interest in second rate paintings, even by hig names. The auction totalled £38.8m, but with 22 per cent unsold. The market is in a fickle

state at the moment, which was well illustrated by the comparative lack of interest shown in the collection of the late Gisèle Beghin-Rueff which was dispersed before the main auction. It brought in almost 58.2m, but with a worrying 29 per cent unsold. High reserves had been set in the summer and since then demand has become selective. Still a Renoir head of a young girl sold to Seibn, the Jspanese depart-ment store, for £1.98m.

It was Seibu that also paid the top price of £5.72m for one of Monet's many versions of water-lilies. There was steady Japanese buying, including the record price of £1.65m paid for "Nekropolis" by Paul Klee. The Japanese, who also acquired the Picasso at Christie's, had not been prominent in the important November sales in New Yorkbut they made up for

Sotheby's continued yesterday with second division pic-tures in the same field and brought to 210.9m, with 20 per cent unsold, suggesting that there was still selective huying. There were two worth-while records - £209,000, double the estimate, for a Rembrandt Bugatti bronze of four 5 inch high elephants, on a marble base, one of an edi-tion of twenty, and £176,000 for an abstract, "Trois figures," by Jean Hélion.

There was some Japanese buying, (a Foulita of a nude with animals made £242,000). but the top price, £286,000, was paid by a European dealer for a Utrillo of the windmills of Montmartre. Another Foujita, of two women with their babies, sold to an anonymous buyer for £264,000. Sothehy's had hetter Inck

selling Bo Boustedt's collection of 26 Henry Moore bronzes. hand made as maquettes for larger sculptures, than Christie's had disposing of Lord Walston's Moore watercolours on Tuesday. All sold, for £1.5m. London dealer Leslie Waddington bought five, paying £82,500 for "Reclining figure No 6" executed in 1954 as an edition of 12. Top price was £192,500, douhle the estimate, which secured a maquette of a 1956 seated figure against a curved wall, one of ten.

Antony Thorncroft

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Thursday December 1 1988

New realism **about 1992**

THIS WEEKEND'S European Community summit in Rhodes marks the half-way point in the timetable for creating a single market and ought to be an occasion for modest celebration of progress achieved to date. Instead, it looks as feeders will be lucky to avaid leaders will be lucky to avoid acrimonious squabbles.

The most obvious source of potential friction is Mrs Thatcher's neo-Gaullist stance on the Community's future development. However, this is not just another case of Britain versus the rest of the EC. Much as other leaders criticise her views in public, several are also growing nervous about the challenges which the logic of integration poses to national interests and prerogatives, per-ticularly in economic policy.

In industry, too, euphoria about 1992 is yielding to a

sober realisation that there will be losers as well as gainers. Warnings are multiplying that increased competitiveness will entail painful restructuring, which will weed out the weak and inefficient. Predictably demands are increasingly bly, demands are increasingly being made for "transitional" trade protection, particularly

against Japan. The clear message is that the EC's honeymoon with 1992 is ending. The easiest parts of the programme have already been agreed. From now on, the going will be rougher. Mr Jac-ques Delors, president of the European Commission, seems already to have recognised this. A few months ago, he was seeking to pile the 1992 band-wagon with extra baggage, such as a "social dimension" and a European central bank. Now, he is talking not of great leaps forward but of step-by-step advances.

EC-wide competition

These signs of a new realism are welcome. The emphasis now should be on ramming through those elements of the 1992 programme which will do most to unleash EC-wide competition and pit market forces against political obstructionism. The first priority is to ensure EC governments fulfil their pledge to liberalise capital movements. Britain's experience suggests that once capion Tariffs and Trade review tal can flow freely it creates

irresistible pressures for the deregulation of national financial markets. Risks of increased currency instability should be dealt with by organic evolution of the Europeanic evolution and the Europeanic evolution evolution evolution and the Europeanic evolution evolutio pean Monetary System, not by hastily imposing new institu-tional structures, such as a

n central bank. The EC must also agree on a formula for dismentling internal border controls. Failure to do so would rob the single mar-ket idea of much of its meaning - and of popular support. This central point has been obscured by dissension over Brussels' proposals for har-monisation of indirect taxes. A solution will call for imagina-tive diplomacy and a readiness to compromise, above all by the Commission and the UK.

Public procurement

Firm pressure must be kept on EC governments to open up public procurement. Protectionist national procurement imposes massivs economic costs, perpetuates fragmented and inefficient industrial structures and underpins divergent national standards. It is equally important that, once markets are liberalised, Brussels ensures they remain genuinely competitive. That will require vigorons enforcement of EC competition rules to curb state aids and to prevent companies from using 1992 as a pretext to create cartels or monopolies at the EC level.

The strongest guarantee of all, bowever, is for the EC to maintain a liberal external trade policy. Here, the commis sion has failed to exercise the firm and enlightened leadership it has given on the internal aspects of 1992. Instead, it has resorted too often to pro-tectionist sabre-rattling.

Such posturing risks encour aging weak European indus-tries to believe they will be shielded from world competition. It is also a threat to the multilateral trading system, now in a decidedly delicate condition. The EC must show that protection is not what it thinks 1992 is all about. This weekend's Rhodes meeting provides an opportunity, just meeting in Montreal, to do so.

Response to the **Palestinians**

THE US State Department's refusal of a visa for Mr Yassir Arafat, chairman of the Paleshas provoked understandable anger in the Arab world and concern in Europe. But it would be a pity if the current furore were to eclipse the prospects for serions diplomatic activity involving the Palestin-

activity involving the Palestinians in coming months.

In barring Mr Arafat from visiting the UN General Assembly in New York this week on the grounds that he is an "accessory" to terrorism, Mr George Shultz, the outgoing Secretary of State, has done no service either to the Middle East peace process or to Washington's frequently troubled relationship with the United Nations.

Conditions

The irony is that the US decision came less than two weeks after the Palestinians took a big step towards fulfilling some of Washington's conditions for involving the PLO in peace negotiations at their Palestine National Council meeting in Algiers. But Mr meeting in Aigiers. But Mr Shultz's move is not the end of the story. It seems likely that Mr Arafat will be able to address a General Assembly debate in Geneva next month.

debate in Geneva next month.

Few observers would dispute that the PLO said something significant in Algiers. What is at issue is the distance that the PLO has moved towards fully accepting Israel and renouncing violence, and the proper practical response from the West.

Certainly, the PNC state-

West.
Certainly, the PNC statement could have been more explicit in its acceptance of the Jewish state, and more clearly-worded in general. But its call for an international peace conference on the basis of UN Security Council resolutions (242 and 338) which acknowledge Israel's right to exist in peace hehind secure borders, coupled with those calling for Palestinian self-determination, is unamhiguous. The PLO could scarcely have been expected to abandon the quest for Palestinian national rights which is its raison d'etre, or unilaterally to declare a moraunilaterally to declare a mora-torium on violence in the Israeli-occupied territories of the West Bank, Gaza and southern Lehanon before there is even a

In adopting its nsw pro-gramme, the PLO was under no illusions about the considerable procedural obstacles that continue to block the way towards talks, not least among them the stiff US conditions for its participation and the opposition of Mr Yitzhak Shamir, Israel's Prime Minister, to any international conference.

But the most important result of this month's state-ment is the way in which it has helped to clarify some of the substance of an eventual PLO negotiating position. Not-withstanding this week's set-back, Mr Arafat has asserted himself as a credible represen-tative of the Palestinians within the occupied territories, whose demand for self-determination — a demand fully supported by the EC but not by the US — will inevitably heve to be taken into account in any

Exactly how Palestinian national aspirations are to be satisfied is a matter for negotiation. Clearly, Palestinian sov-ereignty in any independent state would have to be circumscribed by comprehensive, externally-policed security guarantees, and conceivably by some form of confederal arrangement with Jordan.

Uprising

But the uprising of the last 12 months has shown that agi-tation for a Palestinian home-land is not going to evaporate. It is up to the West to ensure that this demand is expressed to the form of a moderate real. in the form of a moderate, realistic Palestinian negotiating istic Palestinian negotiating position. As a first step towards bringing America's Middle East diplomacy out of its current cul de sac, Mr James Baker, the incoming Secretary of State, ought to be able to come up with a more encouraging gesture towards the PLO than that bequeathed by his predecessor. And before President-elect Bush takes office in January, EC member states could usefully send some forther practical, positive sigfurther practical, positive sig-nals of their own.

David Marsh talks to Edzard Reuter, chairman of Daimler-Benz

ike many men with a famous father. Mr Edzard Reuter, chairman of West Germany's motor conglomerate Daimler Benz, has a strong sense of history.

Now, on the verge of clinching the acquisition of a 30 per cent stake in Messerschmitt-Bölkow-Blohm (MBB), the country's biggest aircraft group. Mr Reuter is himself writing a new chapter in the annals of German industry.

industry.

After more then a year of complex negotiations with the Government in negonations with the Government in Bonn, Mr Reuter is doing much more than make Daimler-Benz – already the largest company in West Germany – a bit higger still. By hringing together under the Mercedes star the bulk of West Germany's defence and aerospace activities, Mr Reuter is taking ing on a corporate challenge unmatched in post-war Germany.

Mr Reuter, now 60, is the son of Ernst Reuter, still remembered as mayor of West Berlin after the Second World War. In an interview last week at his headquarters in Stuttgart, ha was in a cantious mood. A man of quiet intellect who looks like a griz-aled, mature student, be was anxious to underscore Daimler's new risks and responsibilities. Commenting on the widespread view that Daimler will be acquiring a sizeable cash generator in MBB's military turnover, he said: "We are not very happy about the

mpression in public opinion that Daimler is receiving a gift."

But he says he sleeps soundly five to 12 hours a night (the latter when he can get them). And he cannot conceal his sense of adventure, particularly when the cannot be sense of adventure, particularly when the cannot conceal his sense of adventure, particularly when the cannot conceal his sense of adventure, particularly when the cannot concean his sense of adventure, particularly when the cannot concean his sense of adventure, particularly when the cannot concean his sense of adventure. larly when talking about the Euro-pean dimension of the MBB deal.

There is plenty of adventure ahead. Daimler-Benz is still working hard to complete the digestion of majority stakes in the AEG electrical group and the Dornier aircraft company as well as 100 per cent of the aero-engine maker Motoren-und Turbinen-Union (MTU), all acquired in 1985 in the first round of its diversification drive. Now. Mr Reuter faces a further for-

midable effort in absorbing MBB. The sprawling aerospace and technology group, born from a series of mergers n past decades, has suffered for years from poor management and inade-quate capital backing. There will be particular difficulties in integrating MBB with Dornier: Daimler has alreedy been squabbling with Dor-nier's minority shareholders. Mr Reuter admits there is scepti-

cism over the deal within Daimler itself. This is true both at the level of the supervisory board - where all the trade union representatives opposed the takeover when it was put to the vote three weeks ago — and also on the management board.

"The task of bringing about a new structure is going to be a difficult job, spread over several years, tying up management capabilities and also costing a lot of money," he says. "I estimate the process will take about five years."

He has also to tracks foresisted weight He has also to tackle ferocious polit-

ical controversy in the federal repub-lic over Daimler's growth into a group which, with MBB, will have turnover of around DM 80bn (£25bn). About 60 per cent of activities will still be based on the motor industry, with defence making up 10 per cent ranging from military aircraft to

ranging from multary aircraft to radar, missiles and small naval ships. The industrial concentration represented by the prospective conglomerate, together with its position as the biggest German armaments group since the Third Reich, has raised opposition from both right and left on a mixture of free market and left on mixture of free market and moral grounds.
On the international scene Mr Reu-

ter wants to use Daimler's authority to help improve European co-opera-tion in defence and aerospace. The alm is both to stand up to US competi-



A new chapter in the skies

tion and to promote the European integration which the European Community is trying to foster with the 1992 internal market programme. By entbusiastically playing the

European card, Mr Reuter is trying to quieten the domestic uproar over the MBB deal which, he argues, results from public opinion taking too narrow a view of the aerospace market.

He has his eye above all on bringing more private sector corporate influence into the four-nation European Airbus venture, in which MBB is the German partner with a stake (like Aerospatiale of France) of 37.9 per cent. To attempt to reduce the deci-sion-making importance of govern-ments, Mr Reuter suggests that Eurocean aerospace companies should link up through a network of cross shareholdings. Aerospatiale already owns 10 per cent of MBB, while Daimler took a stake of just under 5 per cent in the French electronic and defence company Matra last year.

Roland Smith, chairman of British Aerospace, in the next few weeks probably at the beginning of the new year - to discuss the idea of cross shareholdings and other matters. BAe is sceptical about any idea of financial links, but is likely to give clear back-ing to Mr Reuter's efforts to improve efficiency at the Airbus Industrie con-

Partly because Daimler will now have some extremely strong cards to play, Mr Reuter also backs the idea of opening up the fragmented European defence procurement market. "This is absolutely essential. It is wrong in principle to go on as we have been doing before. We have been saying thet we are in an international defence community, but we are afraid of sacrificing national defence indus-try interacts."

or sacrificing national defence industry interests."

The highly charged political atmosphere surrounding the Daimler-MBB talks has plainly left its mark on Mr Reuter, who took over the chairmanship in September last year after the ousting of his predecessor, Mr Werner Breitschwardt Breitschwerdt.
Following in the Social Democratic

Party footsteps of his father, Mr Reuter has been a member of the SPD since 1946. Although he stresses he does not play an active political role, he might have been given the job of Finance or Economics Minister if ex-Chancellor Helmut Schmidt had remained in power after 1982. It is therefore ironic that a lot of the criticism heaped on Daimler in the last fsw weeks over the MBB deal has

DAIMLER AND MBB TOGETHER • Total turnover DM 80bn (based on 1988 estimated figures), of which:

 DM 50bn motor turnover
 DM 8bn defence technology · Rest in electricals, electronics, • Total employment 380,000: Mercedes-Benz (vehicles) 220,000; AEG (electrical) 80,000 Dornier (aerospace); 10,000 MTU (engines); 17,000 MBB

(aerospace) 38,500.

come from the SPD. by the Nazis in the 1930s, which

the takeover will only be made if Daimler is given a free hand to carry out restructuring at MBB. Daimler is negotiating these points with the states of Bremen, Hamburg and Bav-aria, which own 52 per cent of MBB and all have MBB plants on their territory. "We can in no way accept a solution which would allow regional political interests to block necessary

forced the family along with young Edzard to flee to Turkey, Mr Reuter

has been disturbed to see the Daim-ler-MBB link portrayed by some in Germany as representing "a revival of

"I am unhappy (over the campaign against the deal). On the other hand, it gives us the chance to clear things up. Perhaps it is not such a bad thing

that there is a discussion in Germany

which forces us to recognise that we are part of a defence alliance. And perhaps it is also a good thing that we have a discussion about the impor-

have a discussion about the impor-tance of Europe and what it means for

us," he says.

The Government in Bonn this month finally approved the financial

terms allowing Daimler to go through with the MBB deal. These centre on a DM 4.3bn exchange rate guarantee up to the year 2000 to shield Daimler

from some of the risks involved in MBB's stake in the Airbus.

But Mr Reuter stresses that the

Underlining that "all participants agree on the need to clear up the affair by the end of the year," Mr Renter says that Daimler wants an

corporate decisions," be says.

option to take a 51 per cent stake in MBB to cover the eventuality that 30 per cent is not enough to push through decisions. And he rejects the idea that the tough line has been taking all through the progratiations.

taking all through the negotiations has represented a skilfully played hand of poker.

"The word is not appropriate because this entails an element of bluff. I set down from the start the conditions for us to participate in this project. That was never negotiable, I am still not sure today if all those conditions can really be fulfilled."

Apart from the question of maintaining freedom to streamline MSB, the other main condition has centred on the risks affecting Airbus. Mr Renter has said all along that, since Airbus has all along that, since Airbus has all along that the language of the said all along that the said all along the said along the said along the said along the said along t bus is heavily dependent on European governments and is likely to be unprofitable until the year 2000. Bonn had to come up with exchange rate insurance to cover the risk of a further drop in the dollar, in which international airliners are priced.

national airliners are priced.

He says be is content with the exchange rate agreement. If, over the next decade, the dollar falls below DM 1.60 — the value below which the Government will no longer cover currency losses — Daimler-MBB would have to consider increasing purchases of components from the dollar area.

The dollar has recently been hover-The dollar has recently been hover-

ing just above \$1.70. Mr Reuter does not go as far as his friend ex-Chancel-lor Schmidt, in predicting a rate of DM 1 to the dollar in coming years, but is not optimistic about the future strength of the US currency. So part strength of the US currency. So part
of Daimler's strategy will be to source
far more aerospace components purchases abroad, either from the US or
sonth-east Asia.

Mr Reuter adopts an optimistic tone
about two possible hurdles to the deal
with MBB – the Federal Cartel Office
and the trade unions. He says he can
"understand emotionally, but not

and the trade unions. He says he can "understand emotionally, but not with my reason" the point made in the past by Mr Wolfgang Kartte, president of the Cartel Office, that Daimler's size could enable it to become over-dominant in West Germany. "I know that the Cartel Office is a lot more modern than is often thought. I am confident that it will also examine am confident that it will also examine the MBB stake from the viewpoint of the European market."

Arguments against the deal from IG Arguments against the deal from IG Metall, the metal workers union, "have to be taken seriously" but are "essentially political", he says. "in the factual discussions which we have held on a non-official level, I have never heard a serions argument against our ideas" — including, he says, from Mr Franz Steinkühler, the IG Metall chairman, who is a member of the Daimler supervisory heard. of the Daimler supervisory board.

Mr Reuter adds that the chairman of the MBB works council has told him in the last fortnight that MBB union representatives will co-operate union representatives will co-operate fully over future plans. "We have always said that it is certainly possible that in some sites, jobs will be lost." But, he says, "if it is true that this industry (aerospace) has great growth chances, then job losses in some areas will be compansated by growth-induced increases elsewhere.

A harbinger of the shake-up possibly on the way at MBB came earlier this month with the appointment of Mr Jürgen Schrempp, aged 44, as the chairman of Daimler's new Deutsche

Aerospace division, which will own the stake in MBB.

Mr Schrempp has no aerospace experience and is currently sales director for commercial vehicles. "It is important that Mr Schrempp can approach the work without preconceptions," says Mr Reuter. Indicating that welding together a new aerospace culture at Daimler and MBB could take as much as a generation. could take as much as a generation, he adds: "From the point of view of his age, Mr Schrempp can accept his task as a long term one."

MARTIES

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Bicknell wins

the prize The report by the assessors on the competition to hulld the new British Embassy residence in Moscow reads almost as if the judges thought that none of the entrants deserved

"Several entries did not respond fully to the brief. No single scheme could unani-mously be acclaimed as outstanding and the winner was chosen by e majority decision, it says. "The lack of response in some schemes to the impor-

tant context of Spasopeskov-skaya Square is disappoint-ing." And so on.

Julian Bicknell, who won, says that it is diplomatic language to conceal that the assessors — diplomats and architects — were divided. In fact, be is delighted with the award. It is the first time that British architects will build in Moscow for over 50 years and renews a tradition that

goes back well before the Octo-ber Revolution. Nothing has yet been said about the cost, however; nor has the Foreign Office reached an agreement with Moscow about the timing. That depends on what the Russians want to do in London

Trafalgar man ■ John Ansdell stopped work-ing as Group Finance Director at Hepworth Ceramic yester-day and starts as Finance Director at Trafalgar House this morning. Although he was head-hunted for the job five months ago and agreed to the offer in a matter of days, he says that there is no time to take a holiday. Ansdell is 42, and his back-

ground international. Before his 3% years at Hepworth, he was chief executive for the Merck chemical interests in New Zealand, and before that European Controller for Ash-land. He read economics at Manchester and became an

OBSERVER

accountant. At Heyworth he was part of the team that raised profits and made e number of acquisitions, including

the Henderson Group.
It is a mixture of the international interests and the taste for takeovers that has led him to Trafalgar House. "Hepworth to Training House. "Hep worth has a lot of exports," he said, "but not an international base." He says he is a man who likes "to change the culture of a company".

Will Sir Nigel Broackes and the old firm allow him to

change the culture of Trafalgar House? "You know the answer to thet better than I do," he says rather cryptically. Will Trafalgar House be going in for new acquisitions or divest-ments? "Well, it already has significant base from which to develop for 1992." Between the lines the answer looks like yes." Ansdell confirms what Broackes has already suggested: namely that the group will be watching the possibilities arising from the Weter Privatisation Bill like

A bit of LBJ

■ Not since Lyndon Johnson has e Democratic Senator risen nas e Democratic Senator risen so swiftly through the ranks to the position of Majority Leader as George Mitchell, the 55-year-old Maine Democrat who won an easy victory on

Tuesday.

Mitchell, a former federal judge, only arrived in the Senate in 1980, and then as an appointee filling out the term of Senator Edmund Muskie, who had been called in hy an embattled Carter Administration to take over as Secretary of State after Cyrus Vance's Against the odds he won election in his own right in



"How do you spell extradi-tion?"

1982 and then covered himself in glory when, as head of the Democratic Senatorial Cam-paign Committee, he helped to develop the strategy which saw 11 new Democrats elected to the Senate in 1986, the year the party regained voting con-trol of the upper house. It is e fair guess that some of Mitchell's support came from grateful freshmen Sena-tors who would not be in

Washington but for his politi-cal skills. Yet his victory is also a sign of just how badly the Democrats on Capitol Hill feel they need as Majority Leader a man who can blo into e national party spokes-man — a job Mitchell's prede-cessor, Robert Byrd, was never comfortable with.

Although somewhat earnest-looking, Mitchell showed dur-ing the lear Contra hearings.

ing the Iran-Contra hearings that he can communicate effec-tively on television. And despite being a New Englander, he has managed to avoid being labelled a "liberal." His

top priority will be to manage the Senate, something at which Byrd, with his years of legisla-His elevation has meant mevitably that he is being

mentioned as e Democratic candidate in 1992. At this stage it is safer to say that be is one of perhaps 30 possibles. But his name — previously not much known outside the US — has certainly entered the lists.

City fitness

If Observer fails to appear in its regular form tomorrow, put it down to a 11/2-bour work-out et the Barbican Health and Fitness Centre. One is told that it hits you e day or so later. At the time it feels or so later. At the time it reas rather good – riding an imaginary bicycle and rowing an imaginary boat alongside Duncan Goodhew, the swimming gold medallist at the 1980 Olympics. Goodhew is a non-executive director.

The columnia problem is what

The only problem is what to think about when doing the exercises, for 10 minutes fast pedalling in order to stay in the same place seems a long

There is little doubt, however, that the Centre, officially opened in August, has taken off. Indeed it is e veritable hive of activity and the atmosphere is happy rather than fanatical. Some bankers have to be virtually driven out when it closes

ally driven out when it closes at 10.30 pm.

There is an 2800 joining fee for individual members, which can be staggered over a year, and dues of £35 a month. Corporate membership, for 10 or more employees, allows a 25 per cent reduction in the joining fee, David Giampaolo, the genial managing director, says that it is a company perk. The Centre may very soon he full Centre may very soon be full.

Honest ad m Sign over a wooden kitchen chair in a Lambeth junk short "Genuine post-Chippendale."

QUIETIES?

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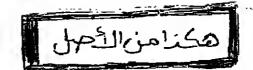
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FINANCIAL PLANNING & INVESTMENT MANAGEMENT



ith the tenth anniversary
of Mrs Thatcher's tenure
as Britain's Prime Manister looming next May,
we are threatened with a torrent of books defining, interpreting, supporting and opposing something called Thatcherism. Robert Skidelsky has got in first with a book he has edited based on a series of lectures at Warwick University in the spring of 1988.

A good empirical starting point is that there has been no upsurge of support for Thatcherite values even in the years of electoral triumph. There are modest and permissive majorities on some social issues, although smaller than in 1974 when Labour

won two elections. There have nearly always been solid majorities for extending welfare even at the expense of higher taxes. Privatisation is even mere unpopular than attempts to ben-Spycatcher, and the Government has enjoyed least support (20-30 per cent) in its opposition to corporatism, Most voters think that unions and business "should be involved" in decisions about the economy.

Why then is Mrs Thatcher in power

with a commanding majority? To answer "divisions on the left" is a cop-out. But the approximately cor-rect answer is pretty banal. The Con-servatives won in 1979 on the Winter of Discontent, in 1983 on the Falk-lands, and in 1987 on prosperity.

The best explanation of what undermined the postwar consensus is given by Skidelsky in his introductory chapter. This is that the so-called Middle Way started to move to the Left in the 1960s and 1970s. The more dirigists Middle Way led to increased union power which was accepted and encouraged in an unsuccessful

attempt to buy pay restraint, which was not in the end delivered.

No apology is required for dwelling on these antecedents. Mrs Thatcher has clearly learned the lesson of not biting off more than she can chew. What would strike a Martian who had only read New Right literature was how little she has done to dismantle social benefits or education below uni-

Patrick Minford, Professor of Applied Recognics at Liverpool University, reminds us in his chapter that the Thatcherite Ministers concentrated on three limited economic objectives - mastering inflation, union reform, and privatisation in carefully selected and cautious order. But he is not enough of a political economist to see that the Prime Mir-ister's hostility to the EMS has pred final victory on the first issue, and has made necessary a second

There are also economic paradoxes. As Mr Minford emphasises, the success of the first attack on inflation — and I would add the roots of the productivity upsurge — lies in the failure of the intended gradualist programme and the administration of a short sharp shock via the exchange rate in 1979-81, which was completely unintended and due to policy errors.

The most interesting economic essay in Skidelsky's collection is that of Frank Hahn, precisely because Hahn rapidly moves on from Mrs

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ECONOMIC VIEWPOINT

Political economy of Thatcherism

By Samuel Brittan

Thatcher to more basic issues of political economy to which we shall have to return when the present fixation with the British Prime Minister has been long forgotten.

Hahn was one of the leaders of the famous group of 364 economists who wrote a public letter of protest at the wrote a public letter of protest at the government's economic policies in 1981. He explains that there is no fully formulated body of knowledge concerning "the behaviour of a market economy when it is not in a coherent state which we call equilibrium or, nowadays, rational expectations equilibrium." But Hahn happily concedes that left-wing interventionists are "equally incamable of certing their "equally incapable of getting their economics straight" on that kind of rigorous general equilibrium level.

He rightly says that the case for the

market economy owes more to the political economy of writers such as F.A. Hayek and Joseph Schumpeter than to general equilibrium analysis. He also says that the more he studies the evidence the more convincing he finds Hayek's connection between a market economy and liberty. Even on the material side he accepts that a market system provides a better way of signalling and using dispersed information than any planner can. Indeed Hayek himself has just produced stages important new statement of his general position. Instant reaction to a book which ranges from evolution to religion and ethics in its

account of spontaneous non-designed systems would be wrong.

But there is, nevertheless, as Hahn says, a sense in which Hayek "gave up too soon." It is certainly possible, as Hahn suggests, that conscious economic policy might improve the information signalling properties of a mar-ket economy – although not, please, by following Hahm's recommendation "instructing state managers to act as they are supposed to do in the textbooks." I have tried to explain in my own writings why you do not make a donkey into a zebra by paint-

ing stripes on its back.

I have also tried to test principles taken from Hayek's earlier works by applying them to a number of contemporary issues in a way that few card-carrying Hayekians care to do. When one does this, it soon becomes clear that, despite the Prime Minister's professed admiration for Hayek, there is a sharp contrast between the role of impersonal law and respect for evolved established institutions enunciated by the profes-



sor and Mrs Thatcher's own hostility to all constitutional restraints on the discretion of the government of the

Raif Dahrendorf, Warden of St Ant-ony's, Oxford, in his chapter in Thatcherism complains that the Government is undermining many of the intermediate institutions between the citizen and the state, from universities to local authorities. Such institutions reinforce personal freedom by establishing alternative standards of power and also soften the edges of authority and thus make it more pal-

The greatest paradox of Thatcherm, and to some extent Reaganism, is the contrast between their economic individualism and ther authoritarienism in other areas. This contrast is one of the themes of a book by K. Hoover and R. Plant called Conservative Capitalism.

The authors clearly identify the strains between the individualist and traditionalist currents in contemporary conservatism. They make mat-ters a little too easy for themselves by identifying the first with Thatcher post-war consensus conservatism. For tensions exist within Mrs Thatcher's own thinking. This emerges to a ludicrous extent in the muddled White Paper on broadcasting which, in alter-nate paragraphs, argues for more choice and more censorship.

Hoover and Plant hint at this contrast but do not really explore it. I was also disappointed that they did not follow up their own insights about the effects on the case for capitalism of that case being taken over by conservative parties from the old classical liberals. The latter valued nonconformity and constitutional restraints and worried about the legitimacy of property rights. It is these differences with the new rights that made me call my own book A Restatement of Economic Liberalism.

The strong point of Hoover and Plant's Conservative Capitalism is the analysis by the authors of the New Right critique of the post-war consensus. They bring together the threatened overload on governments, the effects of interest group pressures, the dangers of bureaucratic power, the

potentially unlimited nature of so-called economic rights and the dis-tortions imposed by the political mar-ket place. Many of these criticisms are

shared by people who are no part of the New Right.

For instance Sir Henry Phelps Brown concludes a monumental study on the practical and theoretical aspects of egalitarianism, which he very much favours in principle, by warning that "in considering the redistribution of income and wealth, we are dealing with the benevolence of those who give, not with the rights of those who receive. To describe the claim that other people make on our sympathetic consideration as human rights is a misnomer."

Raymond Plant himself, in looking for new directions for the Left in Britain, also endorses some of the New Right criticisms of the postwar Welfare State. He makes the case for benefits in cash rather than in kind. Indeed he would ultimately prefer a guaranteed basic income - some-thing very different from a minimum wage - to the present mass of spe-cific benefits. In the meantime he sees some virtue in greater selectivity to concentrate help on those in need. He criticises Labour's tradition of willingness to put power in the hands of "experts" and toys with the idea of vouchers for some welfare services.

It would be tempting for a classical liberal to find common ground with a market socialist such as Raymond Plant on policies which take personal choice and individual rights more seriously than conservative parties ever will. Such authors are also more sensitive to issues of distribution; they realise that there are other valnes than those of strident commercialism. Fundamental differences would still remain, however, on equality as an ideal and on where the onus of proof should be in matters of intervention and redistribution.

But just as one should distinguish between Mrs Thatcher, the politician and new right theorist so one should distinguish between revisionist leftwing writers and the real world of the left and centre establishments.

If, as 1989 approaches, we move back from high theory to Thatcherism as a method of government, the appropriate verdict is probably that of Skidelsky. "It may have been neces-sary to break out of the corporatist and bureaucratic impasse of the late 1970s; but the analysis was over simple, the means crude and mean." Just go to a few pre-Christmas cocktail parties in London and Oxbridge and ask whether you would really like the old establishment to take over again

Books mentioned in this article are: Robert Skidelsky (ed); Thatcherism, Chatto & Windus, £18.00 F.A. Hayek; The Fatal Conceit, Rou-

Samuel Britton; A Restatement of Economic Liberalism, Macmillan, £9.95 paperback and £39.50 hardback. K. Hoover and R. Plant; Conserva tive Capitalism in Britain and the United States, Routledge, £8.95 paperback and £30.00 hardback Henry Phelps Brown; Egalitarian-ism and the Generation of Inequality,

Clarendon Press, Oxford, £40.00.

LOMBARD

A better way to finance students

By Clive Wolman

LET US suppose, for the sake of argument, that the British Government has got it right in selecting the student maintenance grant as the next bas-tion of the middle class welfare state which is ripe for attack. The problem then becomes

one of how to finance an individual's investment in higher education. In principle, that ought to be easy because the prospective returns - about 25 per cent, according to the Government's own statistical analysis — are so much larger than most investments in the British economy.

The recent white paper, however, only considers debt. It then attempts messily to patch up the defects of this particu-larly inappropriate method of finance.

The trouble with loan finance - at least, once it becomes the primary way of meeting a student's living costs - is its high risks for the borrower. The 18-year old sixth-former, when deciding whether to go into higher edu-cation or to take an immediate job, faces the prospect of being saddled with a heavy burden for many years, if he/she ends up as a graduate on low earn-

Snch risks will deter the very categories of teenagers that the Government needs to encourage most to enter higher education, namely those from backgrounds which fail to provide any sense of financial security or self-confidence, and which put a low value on edu-

Bnt if the Government believes its own figures, why should it turn down an opportunity to make such an attrac-tive investment itself?

What it should be doing is offering finance for students not in the form of debt, but of equity. And that means taking a share of the students' earnings after their education is completed.

Private sector providers of equity finance for students are unlikely to appear. This is because they would find it prohibitively expensive to assess and collect part of the earnings of a graduate. But the Government already

has the assessment and collection machinery available through the income tax system. As the white paper points out, graduates already contrib-ute to the costs of their education by paying — on average — higher taxes. The unfairness is that they pay no more than people on the same earnings who have not had the privilege, nor incurred the costs, of

higher education. Under an equity-finance sys-tem, those graduates who have been beneficiaries could be given a different PAYE coding by their tax offices. This will ean thet they have to pay what will be in effect a higher rate of income tax when, for example, their earnings exceed the national average.

Individual students could be offered a choice; no finance at all, a traditional loan, or equity finance either with a high "surtax" rate - perhaps 6 per cent on all taxable income - for a few years or a low rate of, say, 3 per cent on that slice of earnings above the national average for 30 or 40 years. The terms of the packages would be set by applying the normal principles for evaluating equity investment, with two excep-

The Government might introduce a subsidy by seeking a lower expected rate of return (as it has with its proposed loan scheme) and there would be no attempt to discriminate between different students.

Graduates could also be granted a "call option" to allow them to buy out the Government's stake and remove their additional tax burden by paying a lump sum prematurely. Such an option might alleviate some of the disincentive effects of higher tax rates.

The Government's proposals already show signs of being drawn towards this sort of solution by the difficulties of demanding repayment from graduates who remain on low incomes. One of the four possible

schemes outlined in the white paper would allow the repayments to be set at about 4 per cent of taxable earnings until the debt was repaid. But such a solution would be unnecessarily complicated administratively, as payment would be separate from the income tax system and would still bear heavily on those with low but taxable incomes.

Savings are no help

Sir, Mr Donald Franklin suggests ("How to increase the incentive to save," November 23) that overheating could be eased if the savings ratio was increased by abolishing taxa-tion on the interest from per-

sonal savings.
But if people save to maintain a given future income stream then removing the tax would mean that they save less, not more. Removing the tax ineraly has the effect of increasing disposable income.

Mr. Franklin's argument relies on consumers saving any

extra income, and financial institutions deciding not to cut their deposit rates to the net their deposit rates to the net rate previously sufficient to attract adequate inflows. The suggestion that interest pay-ments are subject to "double taxation" also confuses the tax-ation of the income stream with the taxation of the capital Removing this distortion on only a few relatively unimpor-tant assets would tend only to redirect savings into tax efficient forms, rather than increase the level of savings. It also ignores the distortion, currently in the tax system, whereby house purchase, the most important form of personal saving, is subsidised by

Mr Franklin seems to neglect the point that, although the taxation of interest might be manipulated to improve incentives for saving, it is imlikely to alter the fundamental fac-tors responsible for the fall in the measured saving ratio in the 1980s. Given the current state of statistics, this may understate the true savings rate by almost 10 per cent. Ian Harnett,

McCaughan Dyson Capel Cure, 65 Holborn Viaduct, EC1

Seeking the next step in Northern Ireland

From Mr Jerenty Burchill.
Sir, I refer to your editorial on the Anglo-Irish Agreement (November 15); the past three years has seen an upsurge in the level of terrorist violence. This is attributable in no small measure to the psycho-

logical boost republican terror-ists have derived from the loss of British sovereignty in North-ern Ireland, attendant upon the hish Republic's imprecedented involvement in the internal affairs of part of the UK.

The British community in Northern Ireland remains in a

state of passive alienation. Since that community is holding the front line in the war against terrorism, in the long term it can only prove self-defeating to allow this state of affairs to continue.

While it is understandable that the Government is reductant to admit that its policy has been based on a flawed analysis, it is now imperative that active steps be taken to Call it a payment rather than a tax . .

From Mr Harvey Cole.
Sir, In view of the widespread anxiety as to how President-elect Bush will succeed in

foster Ulster's sense of belong-ing, as an integral part of the

An "integrationist" approach An "integrationist" approach is called for. After 17 years of "direct rule" there remains little of the devolutionist ethos, especially amongst the young and middle-aged. Because many Irish citizens willingly come to reside in Britain, thereby coming under Westminster jurisdiction, there can be little hasis for those who be little basis for those who aspire to Irish citizenship, and who live in Ulster, holding any legitimate grievance at such a step. In truth, legislation is merely a democratisation of

The Government must have the magnanimity to bring the Hillsborough débacie to a conclusion. All political power resides at Westminster. From that quarter alone can any initistive be taken. Jeremy Burchill,

Let him announce something

with a grandiose title - a

Federal Resurgence Contribu-

tion," say. This would be a payment (not a tax) calculated at-

reducing the US budget deficit without breaking his pledge not to increase taxes, may I put forward a modest proposal? Ingure. The money would be

19 Tollesbury Road, Tollesburt D'Arcy, Essex.

Patterns in the crystal ball

From Mr David Redfearn. Sir, Ralph Atkins is perfectly Sir, Ralph Atkins is perfectly correct when he writes (November 23) that: "It might be, however, that the indices (for predicting business cycles) are fundamentally flawed." If they cannot even reliably post-dict previous events, it seems reasonably certain that something is missing from their composition. Why, for example, is the factor of land value omitted, when reports of businesses ted, when reports of businesses abandoning the struggle, when abandoning the struggle, when rents are doubled at review time, come in from all sides?

A simpler and much more reliable indicator, at least of long-term trends, and involving land values, was proposed some time ago by Homer Hoyt at the University of Chicago. He discovered in the US, where statistics are more informative.

statistics are more informative, a set of clear sequences: peak in land values — peak in build-ing activity; building — eco-

From Mr George Stern. Sir, Your excellent editorial on Northern Ireland (November 15) forgets one thing; we must study other countries with multi-community regions. The Alto Aflige, with a large German population, suffered German population, suffered from terrorism, so Italy instituted apartheid against Italians. Jobs are reserved for Germans; if not filled, they may
not be filled by Italians. (Contrast that with Ulster, where
more than half of large sections of the Catholic minority community are unemployed.) in the Austrian Empire in 1910 you chose your community (German, Czech, and so on) and voted accordingly: Czechs voted only for Czech MPs (Czech socialists, Czech conservatives); Germans and other nationalities did likewise, so every community was represented in proportion to its size. Courts, parliamentary assemblies and other institu-

stated period.

The key element is that

appropriate languages. And the Czech regions were the richest in the whole empire. (Contrast that with Northern Ireland, the slum of the European Commu-nity, where nearly all MPs are aggressively Protestant.)

nomic recession; culminating in the years 1819, 1837, 1857, 1873, 1918 and 1929.

Apart from the displacement of 1918, probably connected with war, these dates suggest a

with war, these dates suggest a regular business cycle of the order of 18 to 20 years; moved primarily — as Henry George suggested in "Progress and poverty" (1879) — by the expectations of the land speculator, rising to the point where they become unrealisable.

The situation in 20th century Britain is less clear What evil.

Britain is less clear. What evi-

dence there is, however – peaks in land values in 1936 and 1973, recessions in 1938 and 1974, and the beginning of post-war resurgence in 1955 – implies that the same mecha-

nism could well be operating here. If it is, the next major recession is due about 1992. David Redfearn, 15 Pennell's Close,

Eastbourne, East Sussex.

European experience suggests a minimum package for staying in Northern Ireland: Job reservation for each community at all levels;

Voting by community, or at least PR, to ensure fair repre-

sentation;

Outlawing discrimination;

Huge subsidies to get the region above the current Neapolitan level of poverty.

And no one believes in British justice except the British: every sensitive case should have a judge from the Republic of Ireland sitting in. That includes re-trials, ab initio, of cases such as the Guildford and Birmingham-"bombers." George Stern

yield only 1 per cent, and not

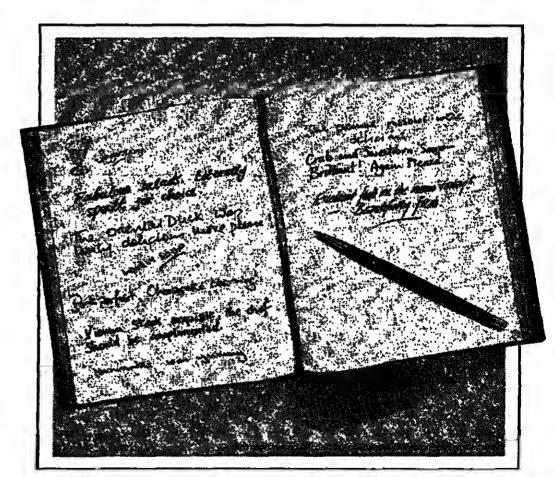
tions had to operate in all 6 Shepherds Hill, N6

be reimbursed for ten years. there would be a choice Bow the money would roll between a voluntary and a required contribution. The for-Harvey R. Cole, mer would carry interest at, say, 5 per cent, repayable after

repaid, with interest, after a four years. The latter would

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FINANCIAL TIMES

Thursday December 1 1988



Lawyer fights Queensland state corruption

Chris Sherwell reports on a determined inquiry into abuses by Australian officials

nitially, it was a standard exercise in damage limitation. A television documentary called "The Moonlight State," broadcast in May 1987, exposed illegal gambling, prostitution and police bribery in Brisbane. Under pressure, the Gueensland state sovernment Queensland state government, headed for 20 years by the maverick Sir Joh Bjelke-Petersen, reluctantly agreed to set up an inquiry.

The terms were confining. The inquiry would examine certain events over the previous five years, and just five named characters allegedly running illegal casinos and massage parlours. It would last just a few weeks and was expected to make little impact on the state's organised crime on the state's organised crime and corruption.

But no one reckoned with Gerald Edward (Tony) Fitzger-ald, the 46-year-old lawyer plucked from obscurity to head the inquiry. Quiet, apolitical, ordinary, he managed quickly hnt quite unexpectedly to expand its scope dramatically. Only now, after 18 long months, is the inquiry about to

In that time, he and his small team have not only confirmed the existence of wide-spread police protection for vice. They have uncovered the systematic abuse of public position and trust over a period of many years stretching up to the highest levels of

the state. The climax to the hearings will come with the appearance of Sir Job himself, the 77-yearold former peanut farmer who became premier in 1968 and made bis name through God-fearing paternalism, pro-Queensland chauvinism and right-wing autocracy. He fell from power a year ago this week and the question every-one wants answered is simple; how much did he know?

THE SOVIET Union might

agree to start talks on reducing

conventional arms throughout

Europe without prior agree-

ment on whether a human rights conference should be

France now believe. Both President François Mit-

terrand of France and Mrs

Margaret Thatcher of Britain

said yesterday the issues were

They were speaking after talks at the ancient citadel of Mont Saint-Michel in northern

Mrs Thatcher said of the

President Mitterrand agreed:

'Mrs Thatcher is right, the two

no longer linked.

w, Britain and

Sir Joh's testimony will follow recent evidence given by key figures from his time in power. Sir Edward Lyons, former head of the Totalizator Agency Board (TAB), Sir Terence Lewis, former Police Commissioners and two former commissioners. missioner, and two former cab-met ministers, Mr Russ Hinze and Mr Don Lane.
Before them came the most

pivotal testimony of all – that of Mr Jack Herbert, called "The Bagman" because over the years, as he admitted, he collected more than A\$3m (\$2.6m) in corrupt payments, much of which he distributed and some of which he kept. He fled to Britain before the inquire here. inquiry began but was extra-dited and given indemnity after admitting his corruption.

Mr Herbert was an officer with the Licensing Board, which is where Mr Fitzgerald began his inquiry. Once former prostitutes started testifying about the tens of thousands of dollars being paid monthly for protection, it became clear that the police would not be willing to take all the blame.

The first big break came within a month of the inquiry's hearings starting in July 1987. A police sergeant resigned and admitted corruption without receiving indemnity. He was followed by Assistant Police Commissioner Graeme Parker who named Commissioner Sir Terence Lewis and Minister Don Lane as people who had allegedly received pay-offs. Sir Terence, appointed by Sir Job in 1976 over the heads of other

officers, was suspended.
All this was taking place against an extraordinary political background which, in bringing the fall of Sir Job, represents one of the most astonishing reversals of fortune Australia has ever seen. Back in November 1986, Sir Joh's National Party had

By Ian Davidson in Mont Saint-Michel and Judy Dempsey in Vienna

in Europe

things are not linked."

Moscow has demanded the right to host a human rights

conference in 1991 as a precon-

dition for wrapping up the cur-rent meeting in Vienna of the

rity and Co-operation (CSCE)

A CSCE accord is, in turn, a prerequisite for establishing the long-mooted Conventional

Stability Talks (CST), grouping the 23 Nato and Warsaw Pact

countries.

Any "decoupling" of the

human rights conference and

the CST would presumably require Soviet assent to a compromise CSCE agreement which left open the fate of the Moscow meeting. There has

been speculation in Vienna that Moscow would accept such a deal, but no confirma-

conference on Secri

Moscow may yield on arms talks



Sir Joh Bjelke-Petersen: from peanut farmer to premier.

state electoral victory and used this as a platform to embark on an extraordinary "Push for Canberra" aimed at removing the socialists from power. Instead he split the opposition and helped it lose the federal election which Mr Bob Hawke, the Labor Prime Minister,

called for July 1987.

In Queensland, Sir Joh's party promptly began tearing itself apart over this and more parochial issues. Among them, by now, was the inexorable progress of the Fitzgerald Commission. Increasingly alienated, he was forced to say he would retire and set a date of August 1988. But a short while later, in

France and Britain appeared

yesterday to move closer on Soviet human rights, with Mr Mitterrand – whose Govern-

ment recently accepted the

idea of a Moscow meeting in

towards endorsing Mrs

Meanwhile, the Soviet Union

yesterday stopped Jamming West Germany's Deutsche

Welle radio and broadcasts in

Soviet languages by two US radio stations - Radio Free Europe (RFE) and Radio Lib-

erty - in a move towards

meeting the West's conditions

for agreeing to the Moscow

But it continued jamming Israeli radio, and Czechoslo-

vakia and Bulgaria were still blocking RFE broadcasts.

The US broadcasts are in

Russian, Byelorussian, Ukral-

- going some

nrincinie

November, he suddenly sacked five ministers. One of them, Mr Mike Ahern, said the Commis-sion was "a factor" behind the move. In the crisis which resulted Sir Joh lost. He resigned and Mr Ahern, now 46, became the state's new Pre-

To his credit, Mr Ahern stood by the Commission and decided to let it run its course. Whether he knew what was to come is unknown, hut few could have imagined the reve-lations which would later sur-

Mr Lane, the former minister who was left out of Mr Abern's Cabinet, testified earlier this month that at least 14 present and former ministers had misused their official expenses, himself included. The diversion of public money to personal use, evading tax in the process, was eo common, he said, he did not think he was doing anything wrong. Mr Hinze, a man whose

charm compensates for hia unattractive enormity, admit-ted receiving loans and advances running into millions of dollars from numerous property developers - some undo-cumented, some with no provision for repayment, some later forgiven. He denied that they affected land development deci-

sions made in Cabinet.

Mr Hinze also confirmed the key role played in the National Party's politics by the Bjelke-Petersen Foundation, run by Sir Robert Sparkes, another key figure who eventually helped depose Sir Joh, and a company called Kaldeal linked to Sir Edward Lyons. Both have been called "slush funds," built up through contributions. Now it is Sir Job's turn to testify How much of all this he

testify. How much of all this he actually knew is impossible to gauge because he had a ten-dency to leave details of cer-tain decisions to associates. He

nian and the languages of

Estonia, Latvia and Lithuania, the three Baltic republics. An end to the jamming of US, West German and Israeli

radio was one of three condi-

tions laid down by the West for

agreeing to the Moscow meet-

The other two were the release of Soviet political pris-

oners and an end to restric-

Mr George Shultz, US Secretary of State, said yesterday a Franco-US dispute over pro-

posed East West talks to cut

conventional forces in Europe

was close to being solved, Reu-ter reports from London.

"It seems to be on its way toward a solution, but I can't

say that it's resolved," he said in a satellite link-up with jour-

nalists in five European capi-

tions on emigration.

has already said be is tions regarding expenses. What is certain is that despite his sanctimoniousness and piety, corruption flourished under him and institutions became politicised.
Other significant questions

remain unanswered. If tha police and others succumbed to hribery over gambling and prostitution, what, if anything, might lie behind the far more lucrative drugs trade? Can Mr Ahern, one of Sir Job's longer-serving ministers, survive as Premier? And what might have happened nationally if Sir Joh's much-vaunted "Push for Cauberra" had succeeded?

Where things go from here is unclear. Mr Fitzgerald is expected to report in a few months and prosecutions seem inevitable. An election is not due until late next year, but the revelations have already wrought preparatory changes in the state Liberal and Labor parties as well as the ruling Nationals.

Other Australian states are meanwhile gloating at Queen-sland'a misfortune, as if to say things could not be as bad elsewhere. Unfortunately, the suspicion lingers that they might well be -tbat all public servants exploit the system, that criminal corruption is wide-spread, that public disdain for politicians is reinforced.

If Queensland does mirror Australia, Mr Fitzgerald has at least provided small compensation by demonstrating that public inquiries into such issues, conducted openly and carefully, can indeed work. In the process he has underpinned another major source of power in the land - the media - and confirmed the awfol truth of an old cynic's political adage: Never set up an inquiry unless you know the outcome.

Row over extradition of ex-priest intensifies

By Charles Hodgson in Dublin and David Buchan in Brussels

A POLITICAL row between Britain and Ireland over the case of Mr Patrick Ryan, the Irish former priest wanted by London for alleged terrorist offences, intensified yesterday after reports of flaws in British extradition papers.

A Dublin Government spokesman broadly confirmed

Irish television reports that extradition papers on Mr Ryan sent by Sir Patrick Maybew, the British Attorney-General to Mr John Murray, his Irish counterpart, were seriously

Previous British extradition attempts from Ireland have foundered because of what Irish legal authorities considered to be badly prepared documentation. UK Government lawyers

later admitted there were "minor defects" in the original papers sent to Ireland seeking the return of Mr Ryan but insisted these had been cor-rected in the final warrant. Mr Murray is now consider

ing the extradition request and is not expected to reach a decision until next week, when the Irish Parliament is also due to review the country's new extradition laws.

The admission that extradi-

tion papers were defective could prove embarrassing for Mrs Margaret Thatcher, the UK Prime Minister, who bitterly attacked both the Belgian authorities over their failure to extradite Mr Ryan and Dublin for failing to meet a British request to have him arrested pending extradition proceed-

ings.

The Irish reports said Britain initially neglected to send supporting documents required under new Irish extradition laws and when they eventually arrived last Friday they were again found to be faulty. Background, Page 11

A dull finish on **British Steel**

A smooth passage into the private sector for British Steel is in everybody's interests, and the Government, market makers, institutions and underwrit-ers are doing their utmost in somewhat unpromising cir-cumstances to bring it about Lord Young did his bit by choosing a price low enough to withstand a dismal set of trade figures which he must have known were in the pipeline. After Friday's upset, the mar-After Friday's tipset, the market has been putting a brave gloss on a general lack of entbusiasm, and yesterday even made a touching attempt to get back through 1800 on the FTSE.

With one day to go, the out-come is likely to be as solidly dull as projected steel demand. Foreigners look willing — if Foreigners look willing – if not rapturous – recipients of their one third, while retail investors do not appear altogether put off by the slim prospect of fat profits. UK institutions sound happy enough with their firmly allotted proportion but may de little more than the control of the co portion, but may do little more than toy with the public offer-ing, and with interest rates at

13 per cent may be content to be a little underweight.

If BP taught anything, it should have been the folly of such comforting predictions.

An unexpected rise in US employment figures on Friday, and a rise in the discount rate, would more than take care of the expected 5p to 8p premium; but as the market is expecting a large figure, upset is unlikely. The first privatisa-tion since the crash may give the Opposition little to crow over, but will do nothing to whip up the nation's greed for shares in water or electricity

Stock Exchange

It is too early to be sure, but it looks as if London's central equity market is in danger of disintegrating. Yesterday saw one member firm proposing to resume trading on the old Stock Exchange floor, two more being fined for late booking of bargains, and another making a nonsense of the screen-based system by consistently quoting the same price as both best bid and offer. The first of these may be little more first of these may be little more than a gimmick - Morgan Grenfell offering to trade small lots of British Steel in the old style next Monday - and the second at least shows the authorities imposing discipline. But for Shearson to make choice prices in Rank Organi-sation - having done the same in British Aerospace the day

Siebe Share price relative to the

before - draws attention to a more fundamental threat to

It is possible to sympathise with Shearson's deliberate parody of recent trends. By quoting no spread at all in nominal size, and pointedly dealing in larger sizes at the quoted price for selected clients only, the firm is neatly demonstrating to the Stock Exchange that yet another piece of information — the spreads which firms are offering — can be withdrawn from the central arena. Shearson is breaking no rules, and if it is not making any money at it, neither is anyone else these days. The Stock Exchange's response to all this has been to set up a committee, which will not finish its deliberations for four more months. It could all be ancient history by then.

LBOs Never one to miss a good

down-home populist issue, Time magazine is devoting its latest cover story to the issue of greed and the American buy-out, with special reference to RJR Nabisco. Nabisco's bis-cuits and smokes should soon have a prond new owner to take them out of the news headlines for a while, but the sight of the various bidders building debt castles to the sky has raised issues of principle which look likely to exercise the politicians for some time to come. Many of the Congressional heavies who specialise in this sort of thing have recently found it prudent to take a tough line on the LBO indus-try. And more state politicians may yet think it wise to follow the political instincts of New York Governor Mario Cuomo, who decided on Tuesday to instruct his state's pension funds to stop funding LBOs for

the time being.
In the past, federal legislators have shown a distinct reluctance to put their legislation where their mouths are when it comes to penalising this sort of activity; so it may not yet be time to fear that Congress will clobber the buyouts with new tax legislation. But state law-makers may find themselves were the mouths of the state of t themselves under much more bome-town pressure to inter-vene in takeovers. Protecting the public, presumably, is their job; whather it is also Mr Cuomo's joh to advise state pension funds to invest in pro-tecting God and the American way – rather than concentrating on earning the best investment return - must be much more doubtful.

Telephone Rentals

Tha battle for Telephone Rentals could still be a close run thing, despite Cable and Wireless' success in picking up a near 30 per cent stake yesterday. TR's shares have been such poor performers over the years that there will be those who feel that in the absence of a last minute rival bid — which is highly unlikely — C and W's offer may be on the mean side, but is better than nothing. Given the current uncertain market conditions, this view is understandable enough, but does not do justice to the fact that TR's underlying profitability is definitely on the mend, and that C and W badly needs TR's marketing expertise if it is to realise Mercury's full potential. If the Blue Circle/Birmid Qualcast bid bat-tle is any guide, shareholders do not have too much to lose by hanging on; it is no longer a question of if, but when TR will be taken over.

Siebe

Siebe is still paying the price for imitating the most acquisi-tive mini-conglomerates in the great bull market, and even though its industrial strategy is more soundly based, its long-term independence is hy no means assured. Although the City did not like being bombarded with Siebe paper in the middle of last year's crash, the middle of its year's crash, the wisdom of its recent acquisitions is hard to fault, and earnings per share growth of 10 to 15 per cent per annum looks reasonably sustainable over the longer term. A 25 per cent rise in the interim divi-dend should help the rehabili-tation of its image, but a prospective multiple of 8 must still look cheap to a Japanese or European predator that wants to take over the world's second biggest controls manufacturer after Honeywell.

human rights conference: "The matter is not as urgent as it was; it is not tied to a resolution of the conditions for holding the conventional force talks."

US backs early

meeting of G7

Continued from Page 1

and officials to evaluate the economic indicators which are used to guide policy co-ordina-tion among the Seven.

The news of moves to con-vene the G7 has so far failed to excite currency markets. The dollar closed in London yesterday at DM1.7360 compared with DM1.7270 on Tuesday and at Y121.9 compared with

If tomorrow's US employment report underlines a strong economy, then the US Federal Reserve may raise its discount rate which will suport the US currency.

In general, however, the market's main focus is still on

sterling, which is firmly sup-ported by interest rates and comments by Mr Lawson.

The Bank of England intervened again yesterday to smooth the pound's rise. Sterling closed at DM3.2125 compared with DM3.2125 compared with DM3.20 and at \$1.8505 compared with \$1.8525. The Bank's tradeweighted sterling index was 0.3 higher at 78.3.

Bhutto seems assured of power

By Christina Lamb in Islamabad

BENAZIR BHUTTO seems set to become Prime Minister of Pakistan after Mr Nawaz Sharif, acting leader of the Islamic Democratic Alliance, apparently conceded that he would not be asked to form a government.

Ms Bhutto, anticipating nomination, yesterday took the Prime Minister's seat in the

National Assembly, which met on a party basis for the first time in 11 years.

Last night Ms Bhutto was reported to have been taken to the State Guest House in a presidential convoy - a further indication that she will be named as Prime Minster today by Ghulam Ishaq Khan, acting

Ms Bhntto's nomination appeared certain aftar her Pakistan People's Party secured a parliamentary major-ity earlier this week when it signed an agreement with the Mohajir Quami Movement, a small regionally based party which won 13 seats in the elec-

The PPP emerged as the sin-

Assembly yesterday



Benazir Bhutto at the National

gle largest party in the elec-tions with 93 seats, while the Alliance, a grouping formed around the Muslim League to fight the election two weeks ago, won 54 of the 207 National Assembly seats.

government benches. No mem-ber of the Alliance sat on the front benches - an admission that they had still not agreed upon a parliamentary leader. Most of the Alliance's leading members lost their seats in the The parliamentrary galleries applicated loudly as Ms Bhutto signed the rule book and took

up the chair once held by Zufilkar Ali Bbutto, her father who was ousted in 1977 and subsequently executed.

Ms Bhutto said: "It feels strange to be coming through thase halls where I often accompanied my father as a youngster. But there is also a sense of satisfaction that after all our 11-year struggle we have finally reached Parliament. "The people have given their verdict and the President must call on me to form the Government."

State-controlled telvision and newspapers yesterday quoted Mr Bhuito'a name for the first Ms Bhntto's mother sat beside her yesterday and her party men sat behind on the mer President Zia took power.

THE WORLD OF TI

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Accies & Pollock currently supplies all the major British and European aircraft projects and provides aero-engine tube for the Rolls-Royce RB 199, RB 211, Pegasus and Tay engines.

Improving links between education and industry Convinced that much better links

between education and industry are vitally needed in the UK, TI has this Autumn taken steps to support engineering research at both Oxford and Cambridge Universities. At Oxford, TI has endowed an

enzineering fellowship for a ten year period at Oriel College. "The TI Feliowship", a technologybridge between Oxford and TT's individual specialised engineering businesses, is currently focused on research into robotics and related technologies used in TTs production processes At Cambridge, TI has given a

scanning electron probe microanalyser to the Research Centre on Superconductivity. One of a handful of microanalysers in the UK with similar capabilities, it measures on a microscopic scale the elemental composition of metal oxides showing superconductivity properties at very high temperatures. The donation will enable both the Centre and TI to benefit from research into superconductors, an area with high potential.

TI encourages budding engineers of school age through donations such as the £30,000 given to the King Edward's

School, Birmingham, Design Education Project. This project gives pupils experience in computers and micro-electronics. and the opportunity to conceive. design and manufacture articles of real technological and commercial value. TI is also a sponsor of the annual "Young Engineer for Britain" competition, for which the number of entries and their level of sophistication and inventiveness increase dramatically each year.

Abar Ipsen wins business in China

Less than two years ago Abar losen. TTs thermal technology business, had no sales in China. However, in the last twelve months, contracts totalling some 24 million have been signed for atmosphere and vacuum furnaces for the bicycle, off-road vehicle and aerospace industries. This business, and prospects of more orders, have led Abar Ipsen to open a Shanghai office with its own aftermarket support staff. This success in China follows a drive to build business all around



WORLD WEATHER Lawson defends policy on the pound Continued from Page 1

and high interest rate policies. ann figh interest rate policies.

The economy did not require
"shock treatment" as in the
early days of Mrs Thatcher's
first term when economic policy had to combat high inflation and deep-seated inflationary expectations, he said. Industry had contended with high interest rates at some point in each of the past five years and had done "fantasti-cally well." It had expanded

rapidly and was in the middle

of an investment boom with productivity and profits "better

The committee meeting was the second public test this week for Mr Lawson. On Tues-day, be had to defend his poli-cies in the Commons in the debate on the Queen's Speech. The Chancellor said the current account deficit, which the Government has forecast could-

than ever," he added.

reach £130n this year, was a "safety valve" which allowed the country to reduce excess fering too much pain.

He said that countries which could run such current deficits were those which presented attractive investment opportunities to international inves-

Mr Lawson said he saw no reason to revise upwards the estimate of the deficit for this year following last Friday's news of a £2.43bn shortfall for October alone. The Government has forecast a decline in the current deficit to £11bn

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ACCOUNTANCY COLUMN

Splitting of hairs over impartiality

DO YOU know the difference between "impartiality" and 'independence"? It's an important one, if accountants are to be believed, because they think they can give up the first with-out sacrificing the second.

The cause for this hair-splitting: the role that accountants play in contested takeovers, which has been considered in this column before.

The distinction between impartiality and independence comes from Coopers & Lybrand. The firm reasons as

If you are helping one com-

A third practical reason for

including intangibles such as brands in balance sheets has

The first two, it will be recal-

led, have been aired in the last week or so by Ranks Hovis McDougall and Hanson. RHM needed to value its brands to reduce the problem

of goodwill from future acquisi-tions. Part of the goodwill will remain in the balance sheet as

"brands", reducing the amount that needs to be written off against reserves after future

Hanson's problem was slightly different. Under its

accounts, you can be partial and take your client's side. This does not impair your objectivity or your independence, provided the line you take remains within the accounting rules.

This is only possible in the first place because there are often two ways of accounting for the same transaction.

The Companies Act does not require accounts to show the true and fair view, but a true and fair view of a company. More than one exists, and the accountant analysing a company involved in a takeover

articles of association it can borrow no more than 2½ times

its shareholders' funds, which are depleted by writing off the

So it is to ask shareholders to allow it to include goodwill

when arriving at its sharehold-

ers' funds for calculating its borrowing powers.

This creates the interesting case of a "shadow" balance sheet which shareholders are

being asked to believe bears a

closer resemblance to reality than the company's published

also applies to acquisitive com-

The third practical reason

goodwill from acquisitions.

suits his client's interest. The implications of this are important. If the accountant takes a view to suit his client, what does he say when that client comes along at the end of the year and asks for an andit of his own accounts?

Does the auditor take a similar "independent" and "objective" stance? Or will he also decide that he needs to be "impartial"? And how can shareholders be sure what the position

Regular readers of this column will recall that Arthur Young faced just this problem

Third reason found for including intangibles

panies. Under Stock Exchange rules, companies need the

approval of their shareholders

if they want to acquire another company whose assets exceed 25 per cent of their own. Increase assets by valuing brands and, hey presto, the need for shareholder support

This may be vital to compa-nies which have large and potentially disruptive minority shareholders whose permission

may not be forthcoming. RHM, it will be recalled, has Good-

man Fielder with just under 30

per cent sitting on its share

& Newcastle take apart Eiders' accounts. The firm took a position on a controversial accounting issue (whether Elders should have consolidated all of its subsidiaries) which suited its client, S&N. It took the opposite view on the same accounting issue when considering whether an audit client, Next, should consolidate

all of its subsidiaries. Coopers' response is that the importance of the accountants' work in cases such as this is that it brings information before shareholders.

In the Elders case, they were given both sides of the story

tail, however. The 25 per cent

test, which relates only to tan-

gible assets, can be extended to intangibles with the

Exchange's approval.

However, in such circum-

replace the 25 per cent figure with some other ratio. Its ability to move the goalposts like this could present it with some difficult dacisions in the

These are the practical rea-sons for showing intangibles in

They do not make balance sheets any more useful, how-

future.

balance sheets.

and could make up their own minds about Elders' true position. Accounting (in the sense of how figures are presented) doesn't matter, provided share holders are being given more information on which to base

their judgments.
This is a strange approach from a firm whose chairman, Mr Brandon Gough, recently sat on the Dearing committee, which put forward ideas for strengthening the UK's system for setting accounting rules. If accounting firms like Coopers have decided that accounting doesn't matter, who is there left to champion it?

world what they think they are really worth, for fear of attract-

The companies which have tackled these issues so far are

trying to solve practical com-mercial difficulties.

By doing so, they have thrown up a number of prob-

lems: how you arrive at the value of a brand, and whether

you can show acquired intengi-bles but not existing ones, or some intangibles like brands

bnt not others. These tricky

questions have been left on the accountancy profession's plate.

ing a takeover.

Consolidated Gold Fields.
Their role was to carry out the detailed analysis needed by the company and its merchant bank advisers, Morgan Grenfell, to mount their attack on the other side's management record.

Knocking

copy 'can

distraction'

PRODUCING knocking copy on

the other side's accounts

is only a small proportion of what accountants do

in takeovers and is distract-

ing comment from the real

value of their work, says

For example, the firm fielded a team of 50 people recently to work on Minorco's bid for

prove a

Coopers.

Banks don't have the resources to do this work for themselves. "We're not interested in knocking other people's accounts," says Mr Brandon Gough, Coopers' chairman. "It's not relevant to the

outcome of most takeovers. Analysis of the other side's commercial performance is more important and is a valid role for accountants, he

Unfortunately, companies often want their accountants to produce a report on accounting matters as well. their views in public.

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c.£28.000 + bonus + car

Our client is a market leader in the UK data communications industry, and is rapidly assuming dominance of the European marketplace. The successful candidate for this challenging vacancy will be based at their headquarters in Hertfordshire, and will report to the Financial Controller. The environment is demanding, driven by the needs of a dynamic, fast moving business, and if appointed you will be expected to quickly make a significant contribution to the running of the Accounts Department.

Candidates will be expected to take full responsibility for all financial accounting functions and will be supported by a team of twelve. As an Accountant (ACA, ACMA or ACCA); with around 3 years post-qualification experience, candidates should have sound technical ability and strong man-management skills, combined with the ability to work with and manage the swift pace of change common to high technology inclustries. A good understanding of and the ability to improve and enhance computerised accounting systems is desirable. Above all you must possess the drive and enthusiasm to make a positive impact in a challenging and highly visible role.

This is an outstanding opportunity to join a successful organisation, which will recognise your commitment and abilities, encourage your ambition, and reward you with an excellent remuneration and benefits package.

RECRUITMENT SPECIALISTS

In the first instance please telephone L.J Associates on 01-388 5465, or write enclosing a full c.v. Please list any companies to whom your application should not be sent.

Part 12/55



Euston House 81-103 Euston Street

FINANCE MANAGER

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Late 20's/Early 30's

To £32,000 + Bonus + Car

London NW12ET

As one of the dominant forces in its international marketplace, our client is continuing to maintain its position through the provision of unparalleled expertise in business services.

In anticipation of the relocation of the finance function from London to Cambridge, an immediate requirement has arisen for a Finance Manager to complement the senior management team.

This position, working closely with the Financial Controller, will be responsible for co-ordinating all aspects of the finance department during a period of rapid change. The building of an effective finance team, to ensure a smooth transition, will be of particular significance. As a qualified accountant with at least three years' commercial experience in a fast moving environment, the ideal candidate must be able to display a complete range of financial skills. More important, however, will be the flexibility and initiative to manage a large team during a period of upheaval and still meet tight deadlines.

For the individual who can respond to these challenges the financial rewards and career opportunities will be considerable.

Interested applicants should telephone Tim Musgrave on 01-437 0464 or write, enclosing a detailed CV, to the address below.

ROBERT • WALTERS • ASSOCIATES

RECRUITMENT CONSULTANTS Queens House I Leicester Place London WC2H 7BP

EYE CATCHING OPPORTUNITY FINANCIAL

CONTROLLER HIGH WYCOMBE TO \$26,000+CAR+BONUS

"ALLERGAN LIMITED International market leaders in specialist eye care products are seeking a Financial Controller to join their senior management team. Reporting to the position has arisen in response to the dynamic growth pattern Allergan Ltd is

Primarily, emphasis will be with the overall day to day running of the financial department (6 staff reporting). Responsibilities will also include establishing financial controls and policies, monitoring their effectiveness in providing timely financial and manufacturing cost information with the ability to implement changes in response to the ever increasing demands for detailed financial

Ideally you will be qualified with a proven record of achievement, preierably, although not essential, within a multinational. It is vital, however, that you have excellent man-management skills, boardroom presence, with the ability to react favourably within a fast moving environment.

A superb salary together with an excellent benefits package is offered in return for your commitment.



Accountancy Personnel Placing Accountants First

EAST ANGLIA'S MOST DYNAMIC PROPERTY COMPANY REQUIRES A

FINANCIAL DIRECTOR SALARY

£20,000 to £40,000 by negotiation

PLUS

Profit Share. Car. Bupa. Pension. Relocation expenses. 6 weeks holiday The company has a large expanding residential and commercial portfolio in East Anglia and is to imminently establish itself in other locations in the United Kingdom.

Applicants must posses drive and enthusiasm and be able to liase with various funding institutions under their own initiative.

CV's to The Chairman Cape Cross Ltd Cape House 5 North Street Wisbech. Cambs



Hays

CHIEF ACCOUNTANT Financial Services

c. £30,000 + benefits + car

Chartered Trust plc., one of the country's foremost finance houses, is a wholly owned subsidiary of Standard Chartered Bank, one of Britain's major international banks with assets exceeding £25 billion.

We wish to appoint a Chief Accountant to assume responsibility for meeting the financial and management accounting and taxation requirements of the company and its subsidiaries with an overriding brief to enhance our already advanced management information and control systems. As a member of the senior management team, the Chief Accountant will also be involved in projects of strategic importance.

The successful candidate is likely to be a dynamic and commercially-orientated graduate accountant, probably in his/her 30's, who has at least five years' successful line management experience in a progressive financial control function. A knowledge of the financial services sector would be an advantage and a strong computer systems awareness is an important requirement. Well developed interpersonal and managerial skills are essential.

A comprehensive remuneration package will include a competitive salary and attractive financial sector fringe benefits. Career development prospects are excellent. Generous assistance will be offered, if appropriate, in relocating to the Cardiff area which offers an excellent choice of coastal, rural and city locations.

Please apply, in strict confidence, by sending comprehensive career details to:

J. A. Roberts, General Manager, Personnel, Chartered Trust plc., 24-26 Newport Road, Cardiff CF2 ISR. Telephone: Cardiff (0222) 473000 exx. 2125





Group Financial Analyst

An Exciting Challenge London, c £30,000, Car

London Regional Transport is currently undergoing e period of significant, rapid and stimulating change. There are exciting challenges ahead and this key role is vital in contributing to the management of growth, combined with the requisite improvements in safety and efficiency. A qualified accountant with several years commercial experience to provide too

A qualified accountant with several years commercial experience to provide top managament with detailed financial analysis of results, budgets and long range plans is sought for the new position of group financial analyst.

The most important ettributes sought are the intellectual capacity to assimilate wide-ranging detail; the ability to identify significant areas of concern; to be able to put forward practical solutions; and to be an effective and skilled communicator. Likely age range is late 20's to early 40's. An excellent benefits package is offered. London Regional Transport controls London Buses, London Underground and the Docklands Light Railway, with a turnover approaching £1000m and there are plans for further extensions to the system.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, A.D. Payne, Accountancy Division, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB. 01-734 6852, Fax: 01-734 3738, quoting Ref. K17009/FT.

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR : A Member of Blue Arrow plc

Manager—

Financial Analysis & Control

c£30,000 + car

This client is a major service sector organisation which is based on a large and wide spread high technology infrastructure. Developing that infrastructure further, in response to strong demand and the opportunities of advanced technology involves sustained capital expenditure opproaching £100 millian per annum an a range of complex and very interesting major projects. Effective evaluation and presentation of these projects is central to the pace of the development programme.
Involvement is key to the Manager's rale which carries responsibility for

planning, evaluation and control of these projects, and monogement of the fixed asset accounting. A sound understanding of the operational requirements and a grasp of the overlaps and consequential effects means that mastery of detail has to be combined with same breadth of vision. There is a team of analysts, accountants and support staff to lead and high standards of evaluation and presentation ore the narm. Establishing good working relationships with operational management and an ability to present at a high level are important.

Some practical experience of investment appraisal of major projects is required gained in a large scale corporation ar other arganisation. An accounting qualification and/or an economics, business studies or maths/ engineering related degree is required. Experience of computerised financial modelling would be an asset. Location—Central London.

Please reply in confidence quoting reference L385 to:-

Brian H Mason Mason & Nurse Associates I Lancaster Place, Strand London WC2E 7EB Tel: 01-240 7805

Mason Selection & Search

Hoggett Bowers

Group Financial Director

Manufacturing, West Midlands.

c £35,000, Equity Participation, Car, Benefits

The consequence of a recent management buyout is a superb opportunity including a share in the action for a financial director seeking a strategic role in guiding a company through a five year period of organic and acquisitional growth. With a turnover of £10m the company is the largest manufacturing in its field with well laid plans for expansion of the product range and customer base. Reporting to the group chief executive the group financial director will also be expected to take a thorough professional command of computerised systems, financial, management and stabutory accounts, cash and budget preparation, inventory and credit control with the support of a small-dedicated team. Likely to be aged in your thirties, you will have been involved in acquisitional work, possibly in manufacturing and have had dealings with outside financial institutions. The remuneration package including equity participation from the outset, makes this a truly outstanding career prospect.

K.R. Miller, Hoggett Bowers plc., 7 Lisbon Square.

LEEDS, LS1 41.2, 0532-448661, Fax: 0532-444401. Ref. L16064/FT.

Group Financial Analyst

Immediate Challenge!

London NW1,

To £28,000, Car

Our client, the UK subsidiary of a publicly quoted group (tumover £290 million) currently seeks an ambitious accountant to contribute to the stategic growth of the business. Within this pro-active role you will undertake specific studies for senior management embracing potential acquisitions and evaluate major capital investment projects. In addition you will oversee a managed team of auditors engaged in the efficiency of all controls and related systems linked to a national multi-branched network. The ideal candidate aged mid 20's to 30's will be qualified with a minimum of one years post-qualification experience within the profession or commerce. A 'hands-on' individual is required who has the ability to work within a fast developing oversission with over charging needs. Effective to work within a fast developing organisation with ever changing needs. Effective interpersonal skills are essential coupled with team building attributes. Excellent opportunity for advancement within the UK headquarters and the group whose ultimate goal is profitable growth through efficiency, skilful marketing and

A.D. Payne, Accountancy Division, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB, 01-734 6852, Fax: 01-734 3738. Ref: K17010/FT.

These positions are open to male or famele condidates. Please telephone for a Personal Elistory Form to the relevant office, quoting the appropriate referen

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR A Member of Blue Arrow pic

Financial Director Designate)

North West London $c \pm 30,000 + car$

Our client, is a young and highly ambitious company, specialising in importing and marketing contemporary office furniture. Established in 1985, both staff and turnover have marketing contemporary office furniture. Established in 1985, both staff and turnover have more than tripled and the company anticipates further dramatic growth in the next few years. They are already recognised amongst the market leaders in their field and they have future plans for diversifying into manufacture and design. They have subsequently identified an urgent need for a Financial Director (Designate).

Reporting to the Managing Director, the candidate will be a qualified accountant with proven management and commercial skills. The incumbent will take immediate responsibility for all financial and administrative functions and will be expensely.

for all thancial and administrative functions and will be expected to make a significant contribution to the inture growth and development of the company.

Ideally, candidates should be aged between 27 and 34, with achievements in the field of business development and strategy planning. A graduate ACA/ACMA/ACCA with stamina and genuine commitment is required for this challenging and demanding role. A Board position is expected within the year, the speed of the appointment being directly related to performance.

Interested candidates should send a detailed CV, including current salary to Candidates about a serial serial and a serial Carol Jardine at Spicers Executive Selection, 13 Bruton Street, London WIX 7AH quoting reference LM 269.



SPICERS EXECUTIVE SELECTION

MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

FINANCIAL SYSTEMS **ACCOUNTANT**



c£25,000 + Financial Sector Benefits

Abbey National is a confirmed leader in the growing financial market place; we maintain this position by constantly developing our facilities and recruiting people with exceptional ability, we have the opportunity for an ambitious individual to join this successful expansion in the Group Finance Department as a Financial Systems Accountant. As a qualified Accountant with experience of implementing a general ledger or alternatively having worked as an end user within a large company, preferably using MSA, you'll have gained the necessary experience for this position. Working with your staffin a team environment, it will be your responsibility to implement financial systems to approved existing requirements. You will need initiative and good organisational abilities to prepare relevant documentation. procedure manuals and develop accurate management reporting information. Good communication skills are essential, as you'll conduct training sessions and liaise with other departments and external bodies associated with this important development. In addition to excellent prospects for career development and attractive salary, we offer a full range of benefits which include profit share, concessionary mortgage and relocation assistance where appropriate

To apply please send a comprehensive CV to Bill Whitehead. Personnel Department, Abbey National Building Society, Abbey House, Baker Street, London, NW I 6XL. The closing date for completed applications, which are invited from all sectors of the community, is the 16th December, 1988.



Finance Director (Designate) Property

London circa £70,000 + executive benefits

Our client, a loading publicly-quoted property group, has established a significant presence both in the UK and overseas with a \$400m portfolio of investment properties and an active development programme. Founded over 50 years ago, the company has built a reputation for first-class property management and high-quality commercial development.

An exceptional opportunity has now arisen for a chartered mountains to head up the finance and treasury function. Reporting to the managing director, you will play a key role in the management and direction of the business which will include development of strategic policies, acquisition and performance reviews and significant involvement with the City. Supported by three chartered accountants, you will also assume the full functional responsibilities expected at this level of appointment.

Probably aged 32-45, you will need to demonstrate the maturity and presence required to relate comfortably with the City together with the commercial awareness which will enable you to contribute positively at board level. Experience in treasury and acquisitions is also

The remuneration package will include a negotiable salary, executive car and a comprehensive range of benefits. In addition, it is expected that the appointee will be invited to participate in the company's share option and profit-related incentive schemes.

If you match this profile, please send a comprehensive career resume together with salary history and daytime telephone number, quoting reference 2988, to Graham Perkins, Executive Selection Division.

△ Touche Ross

Thirties Inn Flouse, 3/4 Hosborn Circus, London ECIN 2HB. Telephone: 01-353 7361 Faz: 01-583 4551

A demanding development role with one of the UK's most innovative retailers AUDIT CONTROLLER to £30k + car + bonus

uninterrupted success. Since our first store in 1964 we've maintained an impressive rate of growth, merging with Mothercare and BhS to form the Storehouse Group, and achieving a current Group turnover in excess of £1.2bm. Habitat itself is entering a further phase of development, opening more Edge of Town stores and anticipating a significant increase in turnovet To help meet this challenge we are now looking for an experienced Audit Controller to play a key development role within the Company Audit Group at our Wallingford Head Office.

Your first key tasks will be to develop your own audit function, and play a major part in the introduction of new stock control systems. As overall Head of the group, your role will then be to carry out regular financial and operational reviews across the

The Habitat story is one of originality and business, ensuring in time, that the group makes a significant and tangible contribution to the long term success and efficiency of the company.

> Pragmatic and confident with fluent communication skills, you should have around 2-4 years postqualification experience ideally gained in a retail or general commercial environment. Equally important, however, are your drive and commitment allowing you tomakerapid career progress within a major retail Group.

> The financial rewards you will find are equally attractive. Up to £30,000 plus company car and bonus. in the first instance, please write with a full cv. to Christine Mackness, Personnel & Training Controller, Habitat Designs Limited, Hithercroft Road, Wallingford, Oxfordshire OX10 9EU. Habitat a member of the Storehouse plc Group of Companies is an Equal Opportunities Employer.

habitat

CO. SECRETARY/F.D. DESIGNATE

Qualified Accountant required as Financial Adviser/F.D. designate to Chairman of Beckenham-based Property and Housebuilding Company. This position would most suit a newly qualified Chartered Accountant interested in becoming involved in a fast expanding company with a possible public flotation in the near future. Salary in the region of £18,000 - £20,000

Please write, enclosing full CV to Mr I. Andrews, Crewbridge Estates Pic, I Kelsey Park Road.

FINANCIAL MANAGER/DIRECTOR **HUMAN RESOURCES**

- * Do you like an intense fast moving pace?
- * Do you have the courage to move people to action?
- * Do you always see things through to perfection?
- * Do you believe people are a company's most important
- * Would helping management solve financial problems excite you?

Selection Research Limited is an established and rapidly growing Human Resource Consultancy with an expanding blue-chip clientele.

We now wish to appoint a

FINANCIAL MANAGER/DIRECTOR

Our parent company is one of the largest human Our parent company is one of the largest numan resource consultancies in the United States, with an annual turnover of \$27 million. Our selection interviews, developed through research into top performers in a wide variety of occupations, help organisations find and develop more of their best. You will be responsible to the Managing Director for the total accountancy function, budgeting and forecasting information, advising on pricing policies developing systems, and managing the financial developing systems, and managing the financial relationship with our parent company.
As with all our appointees we are seeking

outstanding work attitudes and people skills as well as excellence in the appropriate expertise. You may be recently qualified; you

may be older, looking for an

opportunity to combine your experience and innovative ability in a young and growing

Remoneration Negotiable Performance Related Elemen Qualified or Part Qualified Accountant If you have answered "YES" to the above questions and are genuinely entbusiastic

about this opportunity, write now stating how you fit our specification to: Dr. R.A. Edenborough, Ph.D. Managing Director, Selection Research Ltd. Lincoln House, 5 The Hersham

Centre, The Green, Hersham, Walton on Thames, Surrey KT12 4HL. Tel: (0932) 232019.



Williams Holdings plc Divisional Accountants

Substantial Salary + BMW + generous benefits

Williams Holdings is among the LIK's fastest growing and most exciting international groups. In six years turnover has feeped from £6m to over £1 billion. Further planned rapid growth in both the engineering and consumer sectors has led to the requirement to recruit two accountants to take up Divisional appointments.

Aged 28-36, candidates must be high calibre qualified accountants with an excellent industrial track record which proves their capacity for achievement, resillence and flexibility. They must be able to show a proven ability to conduct in-depth financial analyses and to influence the growth policies of industrial companies.

A demonstrated ability to work successfully with a variety of different management teams, and a potential for rapid

A substantial negotiable salary, quality car and usual large company benefits, coupled with the outstanding opportunities for rapid career progression within Williams, make these excellent opportunities for the right people.

If you are able to meet this specification, please write with full career details quoting reference AR/162, to: Brett Bull, March Consulting Group, 33 King Street, Manchester M2 6AA.



CONSULTING GROUP

High calibre - High potential - High profile STRATEGIC PLANNING



to \$28.000 + Car

With a turnover of c.\$1.5 billion, this international retail organisation is a household name throughout the UK. Our client is one of their most rapidly expanding divisions, traditionally concerned with service, but now expanding into retail distribution and home installation. They have doubled their turnover to around \$60 million over the past year and are dedicated to increasing it by a further 50% over the next

They now seek an ambitious qualified accountant to join their management team and undertake a broad range of high profile strategic projects. Reporting to the Financial Director, your responsibilities will include:

□ Capital project appraisals ☐ Business analysis

☐ Evaluation of operational strategic projects

☐ Formulation of, and budgeting for, new business initiatives To succeed it is essential that you can make a real contribution to the company's development, whilst assimilating to a constantly evolving environment. Commercial flair and a confident, creative approach are essential qualities, as in the longer term, it will be your abilities that will define the scope and nature

of your rose.

In view of their ambitious growth plans, it is vital that you are able to progress to a more senior position within the Division or the Group. The package, which reflects the importance attached to this key appointment, comprises a highly competitive salary and quality car, together with a comprehensive range of benefits, including pension scheme and substantial staff discounts.



Hertfordshire

Please write in confidence, enclosing a full CV, quoting ref: A222 to Julia Church, at Mervyn Hughes International Limited, Management Recruitment Consultants, 63 Mansell Street, London E1 SAN. Tel: 01-488 4114.

Group Treasurer

Central London c£50,000 (inc Bonus) + car

The Treasurer of this dynamic group will work closely with the Finance Director and the main board on a wide area of corporate treasury matters. He/she will be responsible for the central treasury department including cash management and financing overseas subsidiaries (which will require experience of overseas transactions and foreign exchange dealing). Our client, a major international experience of overseas transactions and foreign exchange deaning. Our cheft, a major international industrial group (T/O £800m), has experienced significant earnings growth in recent years, which should provide a platform for further opportunities in the future, including an aggressive programme of acquisitions. Applicants must be Chartered Accountants with relevant treasury experience in a major international firm. Ref: 11422/FT. Write or telephone for an application form or send full details (with day-time telephone number and current salary) to R.P. Carpenter, FCA, FCMA, ACIS, 2-5 Old Bond Street, London W1X 3TB. Tel: 01 493 0156 (24 hours).



Manager of UK Taxation

Salary in the region of £40 – 50,000 + discretionary bonus + car

Our client is a major force in the world financial services : —A practical approach to tax problem solving and the sector, with an envisible reputation for quality of service and ability to examine closely the legal aspects of tax

As part of their continued global expansion they now seek to appoint a Manager to assume responsibility for its UK Taxation affairs. Reporting to the Director of Taxes and supervising two qualified tax advisors, the Manager's work

will encompass the following activities: Supervision of UK Corporation Tax and VAT compliance.

- All UK Tax Planning. - New business/product development

- Advice to business units on tax related matters. - Expatriate tax issues for senior executives.

The successful candidate will be in his/her mid 30's

and will possess the following: -A formal Tax/Accountancy qualification

-A minimum of six years' corporate tax experience gained in either a public practice or financial services environment.

implications.

 A keen commercial sense and confidence while liaising with senior management on formulating business

The ability to react quickly and provide creative solutions to new problems.

The remuneration package includes a discretionary bonus, car, BUPA, non contributory pension scheme and salary which is negotiable for the applicant who meets these

For further information regarding this ourstanding opportunity, please contact Graham King or Chris Nelson on 01-831 2000, evenings and weekends on 01-785 6545 or write to them at the Taxation Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH. Strictest confidentiality assured.

Michael Page Finance

International Recruitment Consultants London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

investment appraisal accountant c £30k package outer london

Ready to move into the wider world

As the Investment Appraisal Accountant for our Group Business Development Department, which is responsible for business diversification strategy and investment appraisal, your primary function will be the financial evaluation of new business proposals including the identification and evaluation of investment opportunities, reviewing methods of finance for new projects and preparing extensive business plans. . If you are a qualified accountant with experience in the field of financial services, a positive attitude, flair, initiative and excellent interpersonal skills, for the close liaison with fellow colleagues in the Group Business Development Department and other divisions of the organisation, send your detailed cv to: Margaret Canning, Recruitment Officer, National & Provincial Building Society, Provincial House, Bradford, West Yorkshire BD1 INL. The Society is an Equal Opportunities Employer:

National Provincial

Finance Director/ Company Secretary

County Durham

Marie V.

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THE PERSON

British Ball Continue

Our client is a substantial and long established manufacturing subsidiary of a major international Group. The Company is a market leader in its field and continued investment in the latest technology has created an organisation not only capable of exploiting its traditional markets but also those presented by new product development and changing consumer demand.

They now wish to appoint a Finance Director who, reporting to the Managing Director and supervising a staff of 50, will assume full responsibility for the finance and associated functions in a demanding business environment. In addition to normal managerial sponsibilities, the Finance Director will be fully and proactively involved in all

technical skills but also the determination, innovative ability and commercial acumen to contribute positively to the Company's future. As well as a first class remuneration package the Company offers full relocation facilities where appropriate. Career prospects within the Group are excellent. Interested applicants should write to Frederick Howie. Regional Manager, quoting Ref: NE008 at Michael Page Finance, 25 Collingwood Street, Newcastle-upon-Tyne, NE1 IJE or telephone him on 091-222 0545.

to £30,000 + Bonus + Car

aspects of the continued commercial development of the

Candidates, aged 30 - 45, should be qualified accountants

who can demonstrate not only strong managerial and

CHMFNT

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Michael Page Finance International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

FINANCIAL CONTROLLER Distribution

c£28,000 + car

Our client is a major UK publicly quoted group with substantial interests in the retail sector. The distribution division is assuming an increasingly important role in the company's operations and is currently undertaking a major investment and expansion programme.

Based West of London, the Controller will play a major part in the formulation and implementation of the company's distribution strategy. In a project oriented and interpretive position, he or she will be responsible for ensuring tight financial control of the division through the provision and analysis of responsible to provide and analysis of management information, review of business plans and control of significant capital expenditure. Working closely with the Distribution Director, the Controller will be expected to make a considerable contribution to the management of the division during this period of intensive change. Aged 28-35, applicants should be qualified accountants of considerable ability. Self confidence, strong

analytical abilities and clear presentation skills are required.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/782/TF.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

Finance Director (Designate)

North East

Our client is a profitable £20 million turnover group engaged in the extractive and transportation industries. The group has an impressive record of recent growth maintained by a high level of capital investment and will make use of its recent USM listing for continued expansion through both acquisitions and organic growth.

They now wish to appoint a Finance Director (Designate) who, reporting to the Group Chairman, will assume full responsibility for the financial and commercial functions of the business. In addition to the normal managerial responsibilities associated with this level of appointment, emphasis will be placed on strategic and financial planning for the group and considerable contact with financial institutions is envisaged.

to £35,000 + Bonus + Car

Candidates, aged up to 35, should be qualified Chartered Accountants who can demonstrate a track record of success in their career to date, gained preferably in the mining, construction or civil engineering sectors. In addition to technical ability, strong interpersonal skills and a practical approach to business and management problems are required. The salary package is first class including both bonus and executive share option schemes as well as relocation facilities.

Interested applicants should contact Frederick Howie, Regional Manager quoting ref: NE009 at Michael Page Finance, 25 Collingwood Street, Newcastle-upon-Tyne NEI IJE, or telephone him on 091-222 0545.

Michael Page Finance

International Recruitment Consultants London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Finance Director Designate

... for a small, dynamic Manufacturing Company c£25,000 + profit sharing + car North West

Our client is a successful and rapidly expanding company, employing some 250 people and with a turnover approaching £10 million. It produces domestic fitments sold largely to the building and construction industry and through major retailers. Recent and projected growth has created this new position to spearhead improved systems and controls.

Over £1 million has been recently spent on manufacturing improvements and the introduction of Micro VAX systems for key elements of cost and information control.

Reporting to the Managing Director and with a staff of 8, this is an outstanding opportunity to join a highly profitable company, to build your career and share in the rewards.

Aged 28-35 years, you will be a qualified Accountant, probably CIMA, with relevant Senior Management experience in the manufacturing industry and prepared to become deeply involved in the running of the company. Your personal skills must include independence, enthusiasm and drive to achieve results.

Salary is as indicated plus valuable profit share without ceiling, fully fuelled car, BUPA and relocation assistance to the North West.

Please write with full details, including salary – in confidence – to David Mather, Reference



MEL International

MSL International, Sovereign House, 12-18 Queen Street, Manchester M2 5HS.

Offices in Europe, the Americas, Australasia and Asia Pacific

Financial Controller

Young ACA with FD potential

London W2

to £30.000 + car

Astute acquisition and rapid growth within the international marketing and information services sector has brought this young, profitable plc to a £30m turnover in four years. About half of this business is generated in Scandinavia. A talented young Financial Controller is needed to provide the MD and the

Planning Director with professional support in all aspects of financial management, including acquisitions appraisal. A Chartered Accountant with around 2 years post qualifying experience, you will be well organised and technically thorough whilst retaining flair and

imagination. Your personality and potential will ensure a significant contribution to continued growth within a fast developing business. Salary negotiable to £30K plus car, benefits and FD potential.

Please write with full C.V. to Peter Wallum, Strategic People Recruitment, The Range, Dockett Eddy Lane, Shepperton, Middlesex TW17 9NT.

Group Financial Controller

Bournemouth

c.£30,000 + bonus + car

This flourishing, long-established, cf:30m-turnover, private company has a number of diverse retailing, wholesaling and franchise interests. Its record of profitable growth has been matched by considerable

Reporting to the Group Chief Executive, you will have overall control of all financial matters and assist in identifying, co-ordinating and controlling business activities and strategies necessary to achieve increased profitability and further expansion.
You will be responsible for the preparation of b

plans, budgets and forecasts, contin monitoring progress, requiring an under-standing of the business, and the ability to liaise effectively with senior man in the subsidiary companies.

A highly motivated, qualified accountant, aged 32-45, you should be an independent thinker with strong communication skills and the ability to achieve results. You will have had significant experience of managing and motivating a young, but enthusiastic, finance department, and of developing, implementing and improving computerised accounting, stock control and point-of-sale systems.

Critical characteristics will include a practical, hands-on approach, a positive, encouraging manag-style and the desire to enjoy thoroughly your work. Relocation assistance to this enviable location is

Please send full cv, indicating current salary to Fions McMillan, Ref: 2814/FM/FT.

PA Personnel Services

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Hyde Park House, 60a Knightsbridge, London SW1X 7LE. Tel: 01-235 6060 Fax: 01-235 0434 Telex: 27874

MANAGER ACCOUNTING

W. MIDDX.

in excess of £25,000+Car **Excellent Benefits**



An exceptional opportunity exists within this leading US hi-tech company, which has enjoyed rapid growth and achieves an annual turnover in excess of £5 billion. As a result of this expansion, our client is seeking an experienced Accounting Manager for its European Headquarters.

The position carries overall responsibility for accounting, financial reporting and services, conducted through a multitude of management and statutory organisations, and supporting a headquarters of approximately 1,000 employees. This key decision-making role, integral to the smooth running of the operation, provides excellent potential for career progression and involves considerable liaison with other areas of the company.

The ideal candidate will be a qualified accountant, aged about 35, with experience in a large multinational company environment. Essential qualities are good management skills, with a diplomatic and decisive approach.

To discuss this position in further detail, please contact Robert Walker or Claire **Meacher** on **01-629 4463** (01-977 9530 evenings/weekends) or write to them at the address below.

HARRISON # WILLIS

FINANCIAL RECRUITMENT CONSULTANTS

Cardinal House, 39-40 Albernarie St., London WIX 3FD. Tel: 01-629 4463.



FINANCIAL ACCOUNTANT

A key role in our Life & Pensions business c.£24,000pa + car + finance sector benefits. West End

Prudential Holbom's prestigious Life & Pensions products are part of a range of savings and investment plans we offer aimed at the high net-worth market. We are committed to becoming the leading present plans to be a pre market and have already formulated a business plan to help us achieve this aim. Effective financial management plays a vital part in the realisation of our aim. This role, assuming full financial accounting responsibilities for our

Life & Pensions business, is therefore a key one. Leading a small, high calibre team, you will prepare statutory accounts and returns for the DTI, maintain and enhance our computerised accounting systems. The accuracy of the figures and quality of the service you will provide will have a direct impact on the performance of our Life & Pensions business.

We are looking for a professional with at least two years' post-qualification experience gained in a Life & Pensions Accounting environment. Selfmotivated, communicative and able to produce results against strict deadlines will be essential. Knowledge of unit-linked and with-profits policies would also be

Salary will be around £24,000pa plus car and finance sector benefits which include non-contributory pension, low interest mortgage and interest-free season ticket loan after a qualifying period.

Please write, endosing a full cv., to Rosanne Cole, Personnel Manager, Prudential Holborn Limited, 30 Old Burlington Street, London WIX 1LB.

Head of Group Taxation

London

c£60,000 + bonus + excellent benefits

Our client, one of the UK's top 100 plc's, is a major and successful international group with a leading position in the diversified sectors in which it operates. Worldwide sales are in excess of £2 billion and it is committed to further growth, both organically and by acquisition, and mainly in Europe and in North

Working closely with the Group Finance Director and other main board directors, you will head a highly professional team responsible for all aspects of taxation. The work will include UK and international tax planning, compliance and reporting, and providing advice to senior operational management on tax

Probably in your late 30's or early 40's, you will already be operating at a senior level within an international group or as a partner within a professional firm. You must be capable of innovative and original thinking and be able to make a significant contribution from a tax point of view to the strategic direction of the group. Equally important will be the ability to lead and motivate people and sound

Please write in confidence to John Cameron, quoting reference C946, at S4/86 Grays Inn Road, London WC1X 8AE (Telephone: 01-404 5971).

CAMERON · SIMPSON

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SENIOR INTERNAL AUDITOR INTERNAL AUDITOR

(CITY)



1 -

£23 - 30,000 plus excellent banking benefits

EftPos UK Limited, a company set up by the major financial institutions in the U.K. to develop and install a national EFT-POS network, require additional resources for its newly formed Internal Audit Team.

The roles will involve audits of computer systems and financial systems, covering audit standards, accounting and banking principles, computer security (systems and software), networks and communications,

Both positions report directly to the Internal Audit Manager and require strong interpersonal, planning and communication skills.

Successful candidates should have a sound education coupled with a professional qualification and two to five years relevant experience, preferably in a banking environment.

Please forward your C.V. to:

Graham Askew, Personnel Manager, EftPos UK Limited, 12 Finsbury Square, London, EC2A 1AS.

No Recruitment Agencies please.

Financial Analysis at the frontiers of technology c£26,000+Car

Uxbridge, Middx.

Our client is the European Division of one of the world's largest computer companies. This \$multi million turnover Division covers the marketing and service activities across 15 countries in a highly competitive and rapidly changing international market place. The Company's ambitious plans for future development have created two outstanding opportunities for 'fast track' commercial accountants or MBA's aged up to 30.

Forming part of a small, dynamic Financial Planning and Analysis team these high profile positions will contribute to all aspects of business planning and control and play a key role in the commercial decision making process. Responsibilities will include the review and analysis of asset management performance profitability and key ratios as well as long and short term forecasting, business planning and risk analysis.

The successful candidates will be graduates with sound planning and forecasting experience in the operating subsidiary of an international company. This will ideally be

complemented by some exposure to the Head Office problems of data collection, organisation and subsequent analysis. Whilst knowledge of finance is necessary it is essential not to be limited by this and to use commercial skills and analytical ability to develop innovative, creative solutions to business problems. Clearly well developed interpersonal skills and a mature, positive approach will be necessary to deal with senior management at both Group and operational level.

Prospects for these fast track individuals are excellent within a company that actively develops its staff both in the UK and Internationally, if appropriate. Progress will only be limited by personal performance and

To find out more please apply in strictest confidence, enclosing a comprehensive curriculum vitae, quoting Ref SV 1070 to Keith Evans, Regional Manager, Michael Page Finance, Windsor Bridge House,

1 Brocas Street, Eton, Berkshire SL4 6BW or telephone him on Windsor 0753 856151.

Michael Page Finance

International Recruitment Consultants London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

CHIEF ACCOUNTANT

FORT WILLIAM c£23,000+Car+Relocation Fort William paper Mill is a key producer of idem base and coated papers within the multi-million pound international business of Wiggins Teape Carbonless Papers Limited.

Aversatile accountant is now sought to manage the department responsible for all aspects of financial accounting, budgeting and control of the site. As well as product costing, production performance, responsibilities will also include control of raw material purchasing and usage, finished stocks, fixed assets and capital expectitions.

For further information contact Accountancy Personnel, 93 Hope Street. expenditure.

A rewarding opportunity exists for an individual able to demonstrate a record of success in managing the control of complex manufacturing processes in a highly competitive business. Glasgow 62 GLD. Tet: 041 204 0944

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Chief Accountant

c£33,000+Car + Substantial Benefits West of London

Our client is the major division of a £ multibillion turnover UK pharmaceutical plc. Operating in a highly competitive and complex international market place, it contributes 60% of Group profits and its activities embrace 3 major process manufacturing sites as well as large UK Sales and Marketing

Reporting to the Head of Divisional Finance, the role of Chief Accountant is regarded as pivotal to the success of the division by providing an effective commercial framework for the planning, monitoring, and control of the development and growth of the business. It will make wide-ranging demands on the expertise of the successful candidate. A high level of commercial skills and awareness will be necessary to make an effective input to Sales and Marketing plans and initiatives, whilst understanding the manufacturing processes of a number of complex, technical products will provide a different set of intellectual challenges. Welldeveloped man-management skills will be required

to motivate a team of 30 people on site, and a further 65 at the 3 plants, in order to create a cohesive, proactive finance team. The successful candidate is likely to be a qualified accountant aged 33-38, preferably a science graduate, and ideally with experience in a large, complex manufacturing environ You will need a good intellect and strong analytical skills. Your personal qualities will include well-developed inter-personal skills and a mature, positive approach in order to make an effective contribution at Board level and also to manage growth and change with a firm but open participative style. The position has arisen through internal promotion, and development within this progressive organisation will be limited only by personal performance and commitment. Can you rise in the challenges and opportunities presented by our client? If so, please submit your CV in application to: Wayne Thomas, Executive Division,
Michael Page Finance, Windsor Bridge House,
1 Brocas Street, Eton, Berkshire SL4 6BW.

Michael Page Finance International Recruitment Consultants

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FINANCIAL CONTROLLER

Electronics/Manufacturing Industry C.£27,000 + car South Coast

We are able to offer an ambitious Chartered Accountant a key appointment with a prestigious and highly progressive organisation. Our Client is a world leader within the electronics industry and its innovative work has been rewarded by no less than three Queen's Awards for Achievement. Annual sales are presently in the region of £80 million.

You will be joining a dynamic Company during a particularly demanding phase, and this will offer a high callbre professional Accountant excellent scope for

Your specific area of responsibility will be to control the Management and Cost Accounting functions. This involves preparation of budgets, forecasts, management information, inventory and project cost control. Supported by a Budgeting and a Cost Accountant, you will control the activities of a team of 20 staff.

ideally, you will be in the age range 30-40, with several years' post qualification experience in a manufacturing environment. A background with a US corporation and/or in government accounting would be

Along with excellent career prospects and a competitive solary, you will receive a first-class benefits package which includes a quality car, relocation expenses and an attractive pension scheme.

Please write in the first instance, quoting ref: FT/38), to: Liz Ellard, Account Director, Riley Advertising (London) Limited, Confidential Reply Service, Rex Stewart House, 159 Hammersmith Road, London W6 8BS.

Please list separa ...ly any companies to whom your application should not be forwarded.

Financial Controller Consumer Products

West London

c£30,000 + carand share options

For a young and progressive sales-led organisation which has grown rapidly since its formation and is one of the market leaders in its specialist field. There are ambitious plans for expansion and a stock exchange listing is

Reporting to the Finance Director you will be responsible for all aspects of planning and control. Early priorities will be to improve budgetting procedures, to upgrade the quality of management information and to tighten controls over cash management. You will be assisted by a small team and can expect to be involved on a variety of "ad hoc" projects.

Probably in your late 20's or early 30's, you will be a qualified accountant with a strong track record either in the profession or in commerce. Well developed communication and organisational skills are essential and you must be capable of managing change. As the business grows the potential rewards, including a profit related bonus and share options, are high.

Please write in confidence to John Cameron, quoting reference C101, at 84/86 Grays Inn Road, London WCIX 8AE (Telephone: 01-404 5971).

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Divisional Finance Manager

West Midlands

£27,500 plus car and comprehensive benefits package

Targeted to reach £100M tumover within two years this rapidly expanding Division of a multinational Engineering Group has created the position of Finance Manager in order that the Group acquisition strategy can be pursued with vigour.

in addition to the acquisition activity, the role of Finance Manager will involve the provision of a professional financial service to all General Managers within the Division In relation to any aspect of finance, data collection and reporting. There is an immediate need to upgrade the present standards of accounting and management information systems.

You will probably be between 30 and 40 years of age and likely to be a Graduate Chartered Accountant. An M.B.A. would be an added advantage. You will have excellent analytical and communication skills and will be commercial in outlook. A previous knowledge of acquisitions would be an advantage but not essential. More important is the ability to assimilate knowledge quickly and to have the courage of your convictions. Only your own personal limitations will prevent you from progressing rapidly within this exciting international environment.

Please send a comprehensive CV together with details of salary progression to John Elliott, Managing Consultant, Executive Search and Selection — Midlands, Bernard Hodes Overton Ltd., Monaco House, Bristol Street, Birmingham B5 7AS, quoting reference 12/10626.

OVERTON MANAGEMENT SELECTION

Financial Director

Wimbledon c£30,000 + Car + Benefits

We have been retained by a small rapidly growing marketing driven company, who are committed to an impressive expansion plan through organic growth and

In order to successfully manage the business, our client is seeking a financial director to restructure and build a strong finance function. Specific responsibilities will

development of finance systems and control

* successful management of a small finance team * commercial involvement in the future business plans of the company.

You will be a qualified accountant, aged 30-45, with a sound accounting background in a manufacturing or distribution environment. Essential personal attributes are: a positive confident attitude, a self-starter and good communication

If you are interested in this position and are prepared to commit yourself to the continued success of the company, then send your curticulum vitae and daytime telephone number to Jon Anderson ACMA, Executive Division, 39-41 Parker Street, London WC2B 5LH, quoting ref. M109.



Michael Page Finance

International Recruitment Consultants - Fondon Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Director, the role

\$26,000 + Car available for a

DIVISIONAL CONTROLLERS

Craydon + Bromley
Our Client is looking for qualified accountants well vessed in the needs of a large Incurance Company, Ideally (under 40) you will be controlling some staff and reporting to the Divisional Director, if you have the qualifies accountry to account in this fast-moving environment, then this could be for



102 OLD STREET LONDON ECTV 9AY. TEL: 01-253 1216 (24 hrs)

FINANCIAL CONTROLLER

STANSTED AIRPORT

Air UK (Leisure) is a new and successful charter airline based at Stansted Airport operating an intensive programme of flights from departure points throughout the UK to holiday destinations. We have taken delivery recently of new 737/400 series aircraft as part of our commitment to develop and expand our fleet.

Reporting to the Group FD, the Controller will manage all aspects of our financial resources - from day to day activities which will include the supervision, training and motivation of a small staff through to forecasting and forward planning for the 1990's.

> In return we offer a salary of £27,000 pa plus car

and other benefits, together with the usual travel concessions associated with working for an airline.

If you are a qualified accountant with relevant experience (aviation related will be a distinct advantage), ready to offer commitment to the Company and its future at Stansted, ambitious with a will to succeed in a growing environment the please write, enclosing full personal details and career history

Geoff Collins, Personnel Officer, Air UK (Leisure) Ltd, Stansted House STANSTED AIRPORT, Essex CM24 8QT.



£100,000

EXECUTIVE DIRECTOR—HUNTING GATE GROUP BOARD CORPORATE DEVELOPMENT-PROPERTY INVESTMENT

We are a rapidly expanding group engaged in property development, largescale construction and housebuilding with a turnover exceeding £100m. We require a Chartered Accountant (or similar status) having a proven success

record with a leading position in property-related companies who can demonstrate that business sense, imagination and drive have been successfully applied. The successful applicant will work closely with the Chief Executive and in

As Hunting Gate is a long-established, conservatively run, independent private company, it is able to negotiate a high, tailor-made compensation package, circa £100,000 and offers the opportunity for accumulation of capital.

addition will be expected to become Chairman of a substantial group of investment



West of London

10.00

Write in the strictest confidence to:

Finance Director

The Chief Executive, John Redgrave, Hunting Gate Group Ltd., Box 4444, Hunting Gate, Hitchin, Herts SG4 0TB.

FINANCIAL DIRECTOR DESIGNATE **OIL INDUSTRY SERVICES**

Circa £35,000 + Car and

substantial benefits This dynamic, computer services Pic operates very profitably through branches

in the United Kingdom and on the Continent. Realistic plans are for the ten million pound turnover company to continue its dramatic yet soundly based growth, and the current requirement for appropriate instance menagement skills embraces the ability to manage change. Sultable applicants will be mature and committed, qualified accounts over 30 not only with previous experience of financial management but with the commercial flair and acomen to make a positive contribution to management decisions. The Group's international and diversification ambitions will enable the person appointed to exercise the widest range of professional and entrepreneurial skills and career prospects are quite outstanding. Additional benefits including executive share option scheme and pension and life cover, enhance

the attractive, negotiable salary. Interested applicants should send full career and personal details to John Overton FCA, Managing Director, Bernard Hodes Overton Limited, 8 Dorset Square, London NWI 6PU or telephone 01-706 4911 for an application form quoting reference 12/1160.

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C. £28,000 + car + benefit

A rapidly expanding company involved in the provision of services to the oil and gas industry is seeking a dynamic young Chartered Accountant to assume overall responsibility of financial systems and controls.

The company has recently reorganised its management structure, and is seeking a self-motivated individual with the ability to guida it through the next staga of its development, which includes a controlled expansion and acquisition programme.

Probably aged 28/35 the candidate will preferably have had least & years commercial experience, but this is not important as enthusiasm and drive, an ability to communicate, and the willingness to form part an entrepreneurial management team committed to growth. A familiarity with micro-computers, and the ability to use computers as an aid to planning and management control,

The remuneration packaga ia negotiable and will include genarous benefits. Interested candidates should write, enclosing a comprehensive C.V. to :

Peter Rostron & Co Davey House, Castle Meadow, Norwich, NR1 3DE.

Henderson Administration Group plc is one of the market leaders in the financial services sector, with £8 billion of funds under management. The Group has grown dramatically over the last five years and our continued success in attracting new and siness means we must continue to provide enhanced corporate services.

UP TO £24,000 CAR + BENEFITS qualified Chartered Secretary preferably

Reporting to the Director-Legal Services, the appointee will be responsible for a wide variety of legal and financial functions which will make an immediate and significant contribution to the Group services as a whole. The vacancy has arisen out of the retirement of the present

The successful applicant will be a

with 2-3 years' post-qualification experience. Age indicator is between 27 and 35. A motivated and task orientated individual is sought whose enthusiastic, straightforward personality will ensure successful achievement of objectives in a hard working and good humoured team environment. Ref: no. CS1.

NEW APPOINTMENT UP TO £24,000 CAR + BENEFITS Applicants should be newly or

Reporting to the Group Compliance Manager, the successful applicant will assist with the implementation of new procedures made necessary by the provisions of the Financial Services Act. In addition, the individual will be involved with the preparation of comprehensive internal audit programmes and reviews which include close liaison with the Computer Systems Management.

tly qualified Chartered Accountants. ideally with some experience in the Financial Services sector. A confident self-starter possessing a high degree of enthusiasm and maturity is required to ensure the successful achievement of all objectives. Excellent communicative and interpersonal skills are essential. Ref: no. AMC2.

Written applications, stating for which post you are applying and quoting appropriate reference number, are invited by applying

in full and total confidence to Anne Day, Personnel Department, Henderson Administration Groupplc, 3 Finsbury Avenue. London EC2M 2PA. HENDERSON

ADMINISTRATION GROUP PLC

Financial **Accounting Manager**

West London

£25.000 + carCurrently experiencing 20% growth per annum, our client is already established as a major force in the expanding UK Car Leasing market, US parent support and an ambitious market plan will ensure continued growth.

Reporting at Controller level this position offers the opportunity to take full responsibility for a department of 11 and will be required to ensure that all relevant Financial Accounting reports, controls and systems are effectively managed both on a day-to-day basis and, importantly, as the company expands.

Suitable applicants aged 27-40 will be fully qualified with good technical knowledge and proven management skills. Systems experience is assential as the position will closely assist the MIS dapartment with relevant development work.

For further information please telephone or write to Richard Warner. MANAGEMENT PERSONNEL

York House, Chertsey Street Guildford, Surrey GU1 4ET Telephone 0483 65566 (Out of hours - 0252 724671)

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Our client, a major European Investment Bank with offices in Europe, USA and the Far East, seeks a dynamic Internal Auditor to set up an Audit and Control function for its London based operation, with the possibility of audit assignments in the Company's overseas locations.

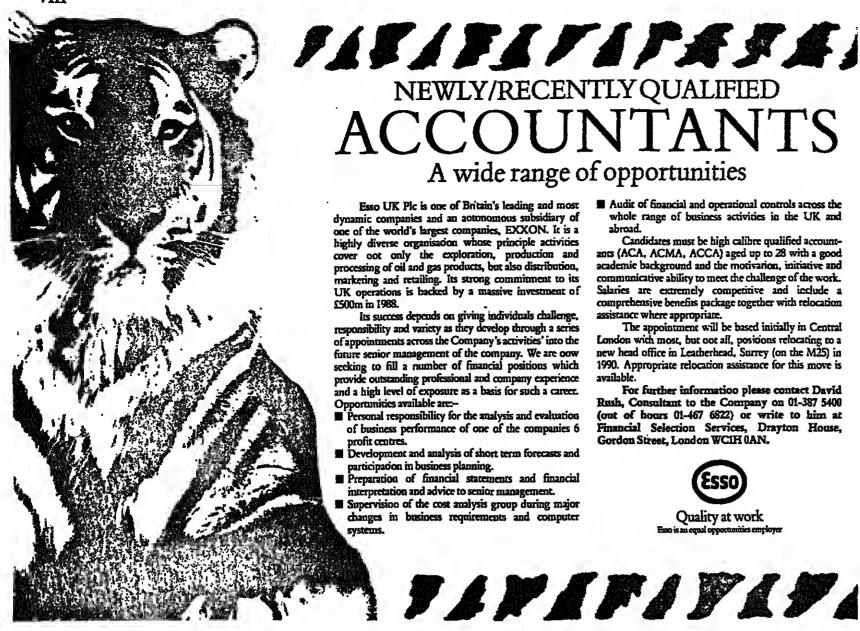
You will be a graduate ACA/ACCA, 'Big Eight' qualified, and have in-depth experience of the audit of Capital Markets products. You will be able to demonstrate flexibility and excellent communication skills. A knowledge of sophisticated computerised accounting systems is also desirable. This is a significant role which will allow the individual considerable scope and which will give both a challenge and a chance of progression within the Company.

Please write, in the first instance, with full career details to:

Laura McElwain (Ref: MCE/1), Bastable-Dailey Advertising & Marketing International Ltd.,

18 Dering Street, London WIR OAX. Tel: 01-408 1818. Replies will be treated in strictest confidence. Companies to whom you do not wish your application to be forwarded should be stated in a covering letter.

Bastable



IIIIIIIIII Management **NEWLY/RECENTLY QUALIFIED** ACCOUNTANTS

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Esso UK Plc is one of Britain's leading and most dynamic companies and an aotonomous subsidiary of one of the world's largest companies, EXXON. It is a highly diverse organisation whose principle activities cover oot only the exploration, production and processing of oil and gas products, but also distribution, marketing and retailing. Its strong commitment to its UK operations is backed by a massive investment of

Its success depends on giving individuals challenge, onsibility and variety as they develop through a series of appointments across the Company's activities' into the future senior management of the company. We are oow seeking to fill a number of financial positions which provide outstanding professional and company experience and a high level of exposure as a basis for such a career. Opportunities available are:-

Personal responsibility for the analysis and evaluation of business performance of one of the companies 6

- profit centres. Development and analysis of short term forecasts and
- participation in business planning. Preparation of financial statements and financial
- interpretation and advice to senior management. Supervision of the cost analysis group during major changes in business requirements and computer

■ Audit of financial and operational controls across the whole range of business activities in the UK and

Candidates must be high calibre qualified accountants (ACA, ACMA, ACCA) aged up to 28 with a good academie background and the motivation, initiative and communicative ability to meet the challenge of the work. Salaries are extremely competitive and include a comprehensive benefits package together with relocation tance where appropriate.

The appointment will be based initially in Central London with most, but oot all, positions relocating to a new head office in Leatherhead, Surrey (on the M25) in 1990. Appropriate relocation assistance for this move is

For further information please contact David Rush, Consultant to the Company on 01-387 5400 (out of hours 01-467 6822) or write to him at Financial Selection Services, Drayton House, Gordon Street, London WCIH OAN.



Quality at work

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This is an opportunity for a newly qualified ACA or equivalent to join the securities settlements operation of a leading investment bank.

You will use your audit experience gained while training to improve existing and develop new independent controls processes, and to assist the company's internal

You will take a key role in the implementation of a highly sophisticated mainframe settlements systems. This will Involve liaison with technical support professionals and senior operations managers.

Additionally, you will be involved with developing the analysis of funding and stock borrowing requirements, profit and loss reporting and the provision of M.L.S.

Communications skills are of paramount importance as is experience with mainframe and pc driven systems. Familiarity with the securities industry will be an advantage, particularly if it includes the industry overseas.

In addition to salary we offer a comprehensive range of benefits including non-contributory pension and private health schemes and a free staff restaurant. only in the strictest confidence to T.I. Roberts (Def. 505) Acen Advertising, Columbia House, 69 Aldwych, London WC2B 4DX. Please indicate on your application the names of any firms to which your application should not be sent.



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FINANCIAL CONSULTANTS

We are the leading international management consultancy specialised in quality and productivity improvement. New assignments mean that we need financial professionals to form part of our consulting teams and deal directly with clients.

Ideal candidates will be chartered accountants with a minimum of 3-5 years' experience in accountancy or related business. A knowledge of sophisticated management reporting systems is a must, with good presence and reporting skills.

The position involves extensive travel but will not require relocation, and a knowledge of European languages in addition to English would be an asset.

Very attractive compensation packages are available for the right people, who will have ample opportunity for advancement in responsibility and satisfaction. Send your application and curriculum vitae with salary history to our representatives, marking the envelope Ref.: FU1

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ADMINISTRATION MANAGER

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Following internal promotion, the above vacancy has now arisen to head up the airline's finance/ administration function in the UK. The duties will include control of the airline's revenue and expenditure together with liaising with BSP, banks and local authorities. In addition, the duties will include control of the UK personnel function.

Candidates should have the necessary personal attributes to work on their own initiative, supervise staff and contribute to the airline's overall development.

ideally, the selected candidate will be a member of one of the recognised accounting bodies and have a number of years relevant experience in the travel/ airline industry.

Please reply with c.v. to: Manager UK, Emirates, 125 Pall Mail, London, SWIY 5EA. Closing date for applications: December 16, 1988.

Emirates

FINANCE MANAGER

+ Normal Banking Benefits

OUR CLIENT is a leading UK Merchant Benk. It has an excellent reputation and an outstanding growth record with an extensive and growing international presence in investment management, corporate finance, securities broking and trading and investment burking.

finance, securities drowing and manage the format and content of new accounting systems and procedures within the Asset Management business. The capitally developing importance of investment Management business. The capitally developing importance of investment Management business.

THE REQUIREMENT is for an outstanding young accountant who may also be a graduate. With knowledge of the securities industry, the role requires a quick understanding of complex issues and the conceptual shillty to develop solutions to information needs. Maintraine experience

THE REMUNERATION PACKAGE for this career opportunity is fiscible and will reflect best Merchant Banking practice. This appointment is seen as a very attractive base for future progression within the Group. Please raply in complete confidence enclosing a CV and quoting reference 199A to the Managing Director

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For Further Information Contact 01-248 8000

> Elizabeth Rowan Ext 3456 Wendy Alexander Ext 3526

Accountant

c£22,500 + carSurrey/Sussexborder

This £175m Division of a major UK consumer product group has established an envioble reputation as market leader by the determination of dedicated

management to consistently enhance the strength of its brand portfolio.

The apportunity to join this dynamic and successful organisation will appeal to recently qualified ACMAs/ACCAs seeking the variety and challenge of real participation in the further profitable development of its

As a key member of a business sector team, the management accountant will play on important rale in driving forward performance by the provision of quality management information and reports. The scope of the position will include evaluating and advising on promotional activities; advancing the development of business sector reporting; providing financial and commercial objectivity in supporting operational decision making and the financial focus to improve the efficiency of ongoing functions.

Applicants, preferably in the age range 24-29 should be commercially astute and oble to demonstrate well developed technical skills, ideally gained in the consumer product industry. Initiative and enthusiasm are essential as are the interpersonal skills and ability to progress within this fast moving

Please reply in confidence quoting reference E149 to:

Adrian B. Edgell Mason & Nurse Associates 5a Station Road, Egham Surrey TW209LD, Tel: 078471255 Offices in London, Birmingham and Egham.

Mason & Nurse

Selection & Search

Finance Director

CITY OF LONDON

Circa £35,000 + Car + **Full Benefits**

Our client, a privately owned company, turnover £1M+ is involved in all aspects of high quality printing and marketing, servicing an impressive client list made up of international household names.

The company are now planning to expand their operation significantly over the next In accordance with the plans for expansion they now wish to appoint a Finance Director

who will set up the finance and accounting function and also play a major role in the overall development and running of this already successful business Candidates will be qualified accountants aged 30 - 40 years who have already gained excellent commercial/industrial experience since qualification within smaller sized

Please send a hand-written covering letter and CV to Mr R N Collier quoting ref. no. BML



Clifford's Inn Fetter Lane, London EC4A 1AS

MOORES & ROWLAND MANAGEMENT ADVISORY SERVICES LIMITED A MEMBER OF MOORES ROWLAND INTERNATIONAL

COMPANY NOTICES

TSURUMI MANUFACTURING CO., LTD. U.S.\$20,000,000 2 % per cent. Bonds due 1991 with Warrants to subscribe for shares of common stock of Tsurumi Manufacturing Co., Ltd.

NOTICE TO WARRANTHOLDERS

NOTICE IS HEREBY GIVEN, pursuant to Clause 4(F) (III) of the Instrument (the "Instrument") by way of deed poll, dated 25th September, 1988, made by Tsurumi Manufacturing Co., Ltd. (the "Compeny") in connection with the warrants (the "Warrants") to subscribe up to Yen 3,128,000,000 for shares of common stock of the Company, that, subject to the appropriate resolution being passed at the Ordinary General Meeting of Shareholders of the Company to be held on 16th December, 1988, the record date for determining the shareholders snittled to receive an interim dividend (being a cash distribution pursuant to Article 283-5 of the Commercial Code of Japan) will be set at 31st March In each year. This resolution, if adopted, will take effect on 16th December, 1988.

The "Dividend Accrual Period" (as defined in Condition 4 of the Warrants) is currently the one year period ending on 30th September in each year. However, as a result of the eatablishment of the record date for interim dividends mentioned shove, the "Dividend Accrusi Period" will be deemed to have been amended to mean the six-month period ending on 31st Merch or 30th September in each year. Thereafter the holder of shares issued upon exercise of any Warrants will be entitled to the dividend in respect of the full aix-month period ending on 31st March or 30th September during which such Warrants have been exercised. Except as mentioned above, the terms and conditions of the

Warrants remain unmodified.

1st December, 1988

TSURUMI MANUFACTURING CO., LTD. By The Tokal Bank, Limited as Principal Paying Agent

and Conditions of the Noties, notice is hereby given that for the six month interest period from 21/11/88 to 22/5/90, the Notes will carry an interest rate of 8.4375% carry an interior rate of 2.537.75 per annum, and the Coupon amount por US\$500,000 will be US\$23,855.90, the period being 182 days,

ART GALLERIES

LOHDON ORIGINAL PRINT FAIR, Royal Academy, Picoedilly, W1, 2-5 Dec. Daily 11-Spm (Mon Spm) Adm. C4 Incl. cat. 01-439 1231

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PUBLIC NOTICES



MMC INVITES EVIDENCE ON PROPOSED ACQUISITION BY STRONG & FISHER OF PITTARD GARNAR

The Monopoly and Mergers Commission is investigating the proposed acquisition of Pittard Gamer by Strong and Fisher, the companies are involved in the preparation and manufacture of clothing leather from

Any person or organisation wishing to give information or views on the proposed acquisition should write as soon as possible but no later than 12 December to :

The Reference Secretary (Strong & Fisher/Pittard Garner)

48 Carey Street

KAMIGUMI CO., LTD. U.S.\$100,000,000 3% per cent. Bonds due 1992 with Warrants to subscribe for shares of common stock of Kamloumi Co., Ltd.

NOTICE TO WARRANTHOLDERS

NOTICE IS HEREBY OIVEN, pursuant to Clause 4(F)(iii) of the instrument (the "instrument") by way of deed poil, dated 11th August, 1988, made by Kamigumi Co., Ltd. (the "Company") in commotion with the warrants (the "Warrants") to subscribe up to Yer 13,365,000,000 for shares of common stock of the Company, that, subject to the appropriate resolutions being passed at the Ordinary General Meeting of Shareholders of the Company to be held on 16th December, 1968:-

As a result of the changes in the financial year and record data mentioned above:-

(A) the "Olvidend Accrual Period" (as defined in Concition 4 of the Warranta) will be deemed to have been amended to mean, except as mentioned below, the one year period ending on 31st March in each year; and

(B) the "Fiscal Period" (as defined in Clause 1(A) of the Instrument) will be deemed to have been amended to mean, except as mentioned below, a period (i) commencing on 1st April and ending on the succeeding 31st March [II) commencing on 1st April and ending on the succeeding 30th September or (III) commencing on 1st October and ending on the succeeding 31st March.

The storesaid changes will take effect on 16th December, 1988. As a transitional measure, the first Dividend Accrusi Period, as well as the first Researchai period of the Company, ending after the effective date of these changes will be the abs-month period from 1st October, 1986 to 31st March, 1999.

LEGAL NOTICES IN THE HIGH COURT OF JUSTICE

No. 003269 of 1988 CHANCERY DIVISION IN THE MATTER OF BRITISH UNDERWATER ENGINEERING LIMITED

AND IN THE MATTER OF THE **COMPANIES ACT 1985**

shove-named Company from \$13,295,396 to \$276,802.

AND NOTICE IS PLINTHER CRYEN that the said Peatition is directed to be heard before the lead of the heard before the Honourable Mr. Justice, Strend, London, WC2A 2LL on Mondey the 12th day of December, 1988.

Any Creditor or Shureholder of the said Company destings to oppose the mediag of an Order for the confirmation of she said freduction of capital should appear at the said time of the hearing in person or 59 and time of the hearing in person or 59 and time of the hearing in person or 59 and time by the said time of the hearing in person of 59 and the said capy person requiring the same by the undermentioned Solicitors on Payment of the requiring the same by the undermentioned Solicitors on Payment of the required charge for the same.

Dated this 28th day of November 1988 Watson Farley 3, Williams,
Minories House, 2-5 Minories,
Landon ECSN 18J Fet. 3845.

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Thursday December 1 1988



South Korea makes a post-Olympic run



The South Korean stock market is enjoying a post-Olympics marathon, jumping by 26 per cent over the past four weeks to reach an ail-time high yesterday. improved liquidity, strong economic growth and moves to allow greater access by toreign investors are behind the climb, which

has seen investment move from the usual speculative stocks to blue chip industrials.

Treading heavy in the

Two major changes were unveiled yesterday in the world tyre industry. Bridgestone of Japan announced a large expansion plan for Firestone Tire & Rubber, the US group it bought earlier this year, which includes increased capacity at plants in the US, Canada and Spain. Meanwhile, Pirelii, the Italian group, announced plans to float a minority stake in its world tyre operations on the London, Amsterdam and New York exchanges. Pages 20, 23

Profits jump sharply at Siebe



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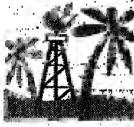
Slebe, the British engineering group, yesterday unveiled a 35 per cent increase in interim Pre-tax profits, helped by a contribution from Barber-Colman, the US controls company it bought last year. It also announced it had won

approval from the German Federal Cartel Office for the acquisition of a controlling stake in Gestra, another controls company. Page 26

Sweet and sour sugar regime

Officials in Brussels are quite sweet on the EC. sugar regime, which is self-financing and effectively limits production. For the Community's competitors on the world market, however, the cut-price exports it generates leave a sour taste, Tim Dickson reports. Page 30 .

Algeria campaigns to boost gas sales



Sonatrach, Algeria'a gas monopoly -which has often been gas market ideology more than gas — has lowered its sights on export prices and started a worldwide campaign to boost sales. Dur-

ing the past few months it has revived exports to the US, concluded its first-ever sale to Japan and resumed price talks with its biggest LNG customer, Gaz de France. Page 30

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Meyer acquires UBM in exchange with Norcros

consolidated its position as the UK's largest builders' merchant by swapping its Crosby manufacturing interests for the UBM chain owned by Norcros, the UK

The deal also represents part of a restructuring at Norcros which has been reorganising after narrowly defeating a £570m (\$1.55bn) hostile bid from Williams Holdings last year. Norcros acquired URM just time years ago; this sale represents the disposal of the last of the UBM businesses.

The UBM package, which also includes Cadel, a plumbing and heating merchant, UBM Overseas and Cheltenham Computer Bureau, has been valued at £125m, and the Crosby manufacturing companies at £70m. Consideration will therefore be in the form of a balancing payment from Meyer to Norcros of £55m, of £55m, of £55m, will be deformed.

of which £30m will be deferred until April, 1990.

The Crosby interests include Crosby Doors, a timber door manufacturer, Crosby Kitchens, a flat-pack supplier, Crosby Windows dows and Midland Veneers.

MEYER International yesterday Crosby businesses made operating profits of 27.6m on turnover of £62,8m last year.

Thus both companies will satisfy their strategic ambitions — Meyer will leave manufacturing and strengthen its position in merchanting, Norcros will achieve the reverse.

For Meyer, the purchase will add UBM's 83 outlets to the 173 Jewson branches it already operates. Turnover figures for the sec-tor are hard to obtain, but the company will now have easily the most of branches in the UK. After some rationalisation, Mayer will have between 230-250 branches. The part largest group, in terms of branches, will be Travis Perkins, which has just been formed after a merger. Meyer owns 20 per cent of Travis Perkins after its own bid for Travis & Arnold was defeated. In addition to the 83 UBM builder's merchant outlets, Meyer will also acquire Cadel's 34 plumbing and heating merchant outlets. The Combined UBM businesses made reading of \$12.00 cm. nesses made profits of £13.8m on

give the enlarged building prod-ucts division of Norcros an annualised turnover of £280m Crosby's doors and kitchens busi ness will fit in with Norcros existing Crittall metal and uPVC

frames operations.

Building products will henceforward be around 50 per cent of the enlarged group; the other two main divisions will be printing and packaging and property. Nor-cros will use the proceeds from the swap to expand.

For Meyer, the sale completes a

long term shift in its business balance - in the early 1980s, it was mainly a timber merchant and door manufacturer. But Meyer has gradually withdrawn from manufacturing and it said yesterday it did not think it was possible for the group to be a major player in both merchanting and manufacturing. Following the sale, Meyer's business will be 75 per cent builders' merchanting and 25 per cent timber.

The market reacted well to news of the deal. Norcros' shares rose 9p to 333p; Meyer's shares

sales of £272.5m last year. The purchase of Crosby will Riveting tale of a bitter transatlantic takeover fight

Nikki Tait on Avdel's battle to keep its independence

Sixty years ago, an Englishman, Stanley Johnson, sat down with a French englneer on a Normandy beach, sharing lunch and wine. Both, so the story goes, got throughly merry.

The upshot of this happy, chance encounter was that the French engineer handed over his designs for an industrial fastening system and Avdel, now a £100m (£185m) UK-quoted company, was born.

But if the company was born in a heze of goodwill and good wine, the company was born in a lease of goodwill and good wine.

its current fight for survival is becoming a far more bitter affair. The company is currently target for a £102m bid from US-based. Benner Industries, a rare hostile move by a US group into the UK

Already, the bid has veered into some unorthodox areas – share-purchasing above the offer price via a Panamanian company called Easton Holdings, was noted by the Takeover Panel, and only belatedly did Mr Jacques Murray, chairman of fire extinguishers group Nu-Swift, emerge as the buyer (in a personal capac-ity). Already, too, Avdel's advis-ers have made some sharp criti-

cisms of the bid's financing and the bidder's gearing levels. Next week, moreover – with Banner's chief executive, Mr Jef-frey Steiner due back in London - matters look set to notch up a gear. On Monday, the bid reaches its second close. On Friday, day 39 (last date when Avdel can pubish a 1988 profit forecast) looms.
The latest fracas comes after
years of upheavals for the UK
company. Avdel, which is based

in a Welwyn Gerden City, is what remains of the better-known Newman Industries group. Newman, which has a long and colourful history, probably claims a place in most City memories because of its lengthy tussle with institutional shareholders. with institutional shareholders, led by the Prudential, over some modest acquisitions in the midseventies. (Newman's then-chairman, Mr Alan Barlett, also headed Thomas Poole and Gladstone China, which was making the disposals.)

Avdel itself only came into the group in 1978 - by which stage both Mr Johnson and his wife were dead, and in the absence of any children, control had passed to a Swiss foundation.

to a Swiss foundation. But its new parent was in for a rough ride. Still in the news

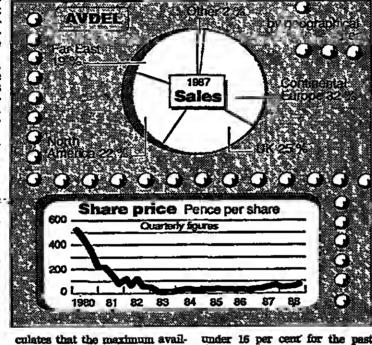
because of legal action arising from the TPG debacks, Newman — whose interests ranged from ceramics to casting and electric motors — saw mounting debts and losses in the early-eightles. Matters improved and, very broadly, Newman's subsequent history became one of disposals coupled — in spite of some hic-cups — with improving profits. Today, the likes of caramics and electric motors have gone and the company has been slimmed back to its Avdel subsidiary. The

name changed this year.

The history is relevant in that, having only just crawled out from the Newman shadow, Avdel is now in the awkward position of having to both defend and explain itself at the same time. Fasteners may not be high glamour, but the UK group reckons to rank among the top four compa-nies worldwide - the other three are subsidiaries of US corporations. Its products range from fasteners to the manufacture of

systems for applying them. The pressure to sell internationally is strong. Within the overall £340m domestic mechanical fasteners market, Avdel cal-

on <u>a an i</u>deal a comains and in the community of the c



culates that the maximum available segment for its own products is worth some £35m. It already sells almost £20m.

But overseas the picture is rather different. In West Ger-many, for example, the total marthet is estimated at DM2bn (£623m), the area available to Avdel at DM200m, and it sells only DM40m. In the US, the figures are \$5bn (£2.7bn), \$500m and \$25m respectively; in Japan, \$3bn, \$250m and \$20m

If that suggests expansion opportunities - the company



Jeffrey Steiner: Banner's chief executive

already sees three-quarters of its sales abroad - Avdel also puts much stress on its systems capa-bility. "We are in the business of saving other people money," says chief executive John Marley. Examples are readily supplied: one recent analyst's report quoted the sale to a Nissan sub-contractor of a 275,000 machine which cuts the time to fix a car door with 28 rivets to one-twentieth, and on the way usefully consumes some 6.5m fasteners every

But if the business is international and competitors have the use of large corporate pockets, is it wise to soldier on independently? Avdel itself concedes that the Newman's problems scarcely helped its development, but with gearing reducing - down to perhaps 60 per cent at the interim stage - the company had begun to contemplate modest acquisitions which could have expanded its international presence. In profit terms, the record – though not entirely smooth – is creditable: Avdel's operating profits have risen from just under £3m in 1980 to £11.5m in 1987, and operating margins have remained at just it seems, can only get fiercer.

under 16 per cent for the past three years.

Whatever the merits of corporate muscle, the UK company remains deeply opposed to mov-ing under the specific parentage of Banner. The US group's recent history is barely more settled than Newman's. In late-1985, Mr Jeffrey Steiner, a US financier, moved in as shareholder, chairman and chief executive of the Ohio-based supplier of aircraft tyres and replacement parts.
At first, there were a number

chases, and then - in January 1987 - an agreed \$600m offer for the much-larger Milwaukee-based Rexnord group, already in the throes of a recapitalisation plan. Since then, there has been more restructuring, both via disposals and some acquisitions. In its offer document, Banner

of modest disposals and pur-

argues that its own fasteners business, with sales of \$122m in the year to end-June, is complementary to Avdel's; that it could help Avdel push in the US mar-ket; and that combined marketing opportunities would result Avdel's retort is that synergy is overplayed; that Banner's busi-

ness is heavily weighted towards aerospace/defence, taking 75 per cent of fastening sales, from which it has spent decades diversifying; and that the helty debt levels of the combined group would depress Avdel's progress. London analysts are not unsympathetic "Avdel is at the quality end of the fastener mar-ket," comments Hoare Govett.

The arguments, however, are somewhat subsumed by the fact that cash - 80p a share - is on the table. The key question, then, boils down to whether this adequately reflects Avdel's prospects. Any forecast next week will be eagerly awaited - but at present analysts seems to be pre-dicting between £11m and £12m pre-tax for 1968, and perhaps £13.5m in 1969. That suggests an exit multiple - virtually historic - of about 13-14 times and a pro-

spective of perhaps just under 12, The market, pricing Avdel at just over 80p, probably suspects that something more may be forthcoming. The share register also makes interesting reading, while Banner has an option over a 27.6 per cent holding (acquired from Suter), about 40 per cent of the shares are in the hands of 15 institutions, M&G with about 10 per cent is the largest. The fight,

Siemens seeks extensive collaboration with GEC

هكنامن الأحل

By Terry Dodsworth

SIEMENS, the West German electronics group, is interested in extensive collaboration with the General Electric Company of the UK even if the companies' joint bid for Plessey, the British telecommunications and defence

group, fails.

Mr Karl-Hermann Baumann,
Siemens's finance director, said
yesterday that the West German
group had formed its alliance
with GEC in the late summer on several potential areas of co-op-

These talks led to the decision to opt for initial collaboration in telecommunications, defence electronics and semiconductors. But, he added, there were many fields in which collaborative ventures could be launched "irre-

spective of the bid."
Mr Baumann also rejected criticism that the alliance with GEC could lead to a decline in compe tition in certain markets. Responding to indications that the UK Defence Ministry might insist on the disposal of several key Plessey activities, he said that Stemens was willing to

negotiate.
Siemens stressed that the company would also be arguing that the proposed takeover could lead to increased competition in some parts of the European defence

market.

This would be especially true in West Germany, they added, where military procurement departments were worried that the new group of defence electronic companies formed by Daimler-Benz would lead to a reduction of choice.

On telecommunications, Mr.

On telecommunications, Mr Baumann said he was confident that the bid would not meet opposition under anti-monopoly rules, given that a precedent had been set in the merger of the French Alcatel group and ITI's telecommunication activities in

Europe two years ago.

The merger of Siemens and
GPT, the telecommunications company owned jointly by all GEC and Plessey, would be advantageous to the British

It would be extremely difficult, he argued for GPT to fund the development of the next generation of public talephone exchanges given its present size.

Telephone Rentals raided by C and W

CABLE AND WIRELESS, the international telecommunications group, yesterday launched a raid on the London Stock Exchange on the shares of Tele-phone Rentals the telephone equipment supplier for which C and W is making a £320m (\$593M) takeover bid.

The buying spree, at 340p per share, the level of C and W's increased offer, netted 26.4 per cent of Telephone Rentals' equity. That, added to the 2.1 per cent bought before the bid, means that C and W's stake is now 28.5 per cent.

The raid was launched unusually late in the bid timetable. C and W's increased offer closes next Wednesday, December 7. But Morgan Grenfell, C and W's adviser, said it was important for the bid to maintain momentum. At the first closing date, C and W had acceptances of just 0.42 per cent of the equity.

A spokesman for Telephone Rentals argued yesterday that the C and W raid would merely

shake out loose holders of the stock. It was also argued that the raid would discourage other shareholders from accepting the offer, since C and W would now be locked in as a shareholder even if the bid failed. There was thus a reduced risk of a collapse in Telephone Rentals' share price if the bid did not succeed.

Telephone Rentals issued a new defence document yesterday, reiterating its arguments against the bid. The company argus that it is in a unique position in its market and does not need Mercury, the C and W subsidiary which operates a rival telephone network to British Telecom.

network to British Telecom.

Mr Gordon Owen, managing director of C and W, responded to the document by saying it contained nothing new. "The industrial logic (of the bid) has been widely accepted" he added "and we are looking forward to a successful conclusion to the offer" cessful conclusion to the offer". C and W shares rose 9p to 371p yesterday and Telephone Rentals' shares increased 7p to 336p.

Morgan Grenfell trims Australian operation

By Chris Sherwell in Sydney

MORGAN Grenfell Australia, the Australian arm of the London merchant bank, is slashing its operations Down Under still further by unexpectedly withdraw-ing altogether from stockbroking. Yesterday the bank announced it had sold its private client broking business and confirmed that its small Adelaide broking opera-tion was being bought out by its

existing partners. The sales continue the major re-organisation of Morgan Grenfell's Australian operations which has already seen the clo-sure or disposal of its securities, investment management, capital markets and resources divisions.

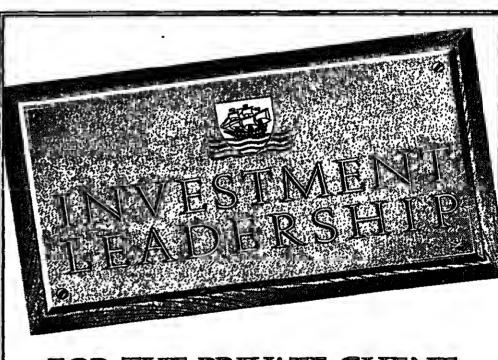
Morgan aims to concentrate solely on its corporate advisory work, and to retain its money market and foreign exchange operations.

The private client broking business sold yesterday was formerly Hordern Utz and Bode, in which Morgan initially bought 50 per cent and then raised its stake to 100 per cent.

The buyer, for an unspecified price, is the ANZ Bank's broking business, McCaughan Dyson Capel Cure, which wants to develop and expand its own pri-vate client broking business. The Adelaide operation, known as Barnes, Tolhurst & Milner, has been offered to its two former partners.

The overall result of the reorganisation is that a gronping which at one stage had a stall of some 200 and was a major player on the Australian merchant hanking scene has now been reduced to a quarter of that size with a much lower profile but improved profitability.

The bank's earlier ascendancy coincided with the stewardship of Mr Geoff Hill, its entrepreneurial former managing director, who was a mergers and acquisition specialist. When he moved to Morgan Grenfell's New York office, a posting which did not work out, the bank in Australia acted to re-establish an image more in line with its standing in



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A MEMBER OF THE SECURITIES ASSOCIATION AND THE INTERNATIONAL STOCK EXCHANGE

INTERNATIONAL COMPANIES AND FINANCE

GE/Union

Carbide

silicone

plan fails

AN AMBITIOUS plan by General Electric and Union

Carbide to merge their sili-

cone-based chemicals operations into a \$750m world-wide business collapsed yester-day because of opposition from anti-trust authorities and man-

The deal, designed to create

a stronger competitor to Dow Corning, the US and world

market leader, is the second consolidation deal in the chemicals industry to run into trouble with the Federal Trade

Commission, Last month, the

commission said it would try

By James Buchan

in New York

Managers lift RJR Nabisco bid

By Anatole Kaletsky in New York

THE RECORD-BREAKING takeover anction for RJR Nabisco remained undecided yesterday morning, as the company's management unexpect-edly raised to \$108 a share the supposedly final bid they had submitted to the company on

Tuesday night.
Prior to the management's announcement rumours swirling round Wall Street appeared to favour a \$23bn-plus offer presented by Ko. Herg Kravis Roberts, the biggest US leveraged buy-out group.

KKR's offer, said by executives to be worth \$102 or \$103 a share in a mixture of cash and securities seemed to also extra

securities, seemed to edge out the \$101 a share offer first made by RJR's own manage-ment, backed by Shearson Lehman Hntton and Salomon

The third bid, submitted by an investor group led by First part because of pessimistic

Boston and nominally worth over \$104 a share, was said by officials involved in the auc-tion to have been virtually ruled out because of uncertain-ties about financing and taxa-tion. These doubts made the First Boston proposal's true value almost impossible to

gauge, they said.
However, officials noted that all three of the bids submitted to RJR contained large non-cash elements, making precise comparisons difficult and leaving open the possibility that the offer eventually selected would not be the one with the highest nominal price. RJR's shares rose \$1% to \$92% in yesterday as Wall Street awaited a formal state-

ment from the company about the auction results. Nevertheless, attention earcomments made late on Tues-day night by members of the two rival groups. Spokesmen for the management-Shearson team at one point indicated that they were bowing out of the competition, but this statement was amended yesterday morning, when the group said closer study of its bid showed it to be "comparable in value to KKR's."

First Boston officials were also quoted by news agencies on Tuesday night as saying that they had dropped out of the bidding, but a spokesman for the investment bank denied this yesterday.

A bigger reason for scepticism about the First Boston offer emerged late on Tuesday.

offer emerged late on Tuesday, however, when Congressman Jack Brooks, chairman of the House Government Operations Committee, disclosed a letter he had sent to the Attorney

General, urging him not to expedite the routine anti-trust review of any of the RJR bids. A crucial element in the First Boston proposal was to have been completion of the deal before the end of the tax year on December 31. Any delay would undermine the financial rationale of First Boston's approach.

 ITT Corporation, which had already sued RJR and its man-agement for the losses suffered by bondholders after the company's leveraged bny-ont announcement, said it was filing e similar litigation against mg e similar inigation against Campeau Corporation and Federated Department Stores. Federated, which was taken over by Campeau in a highly leveraged merger this spring, was said in the suit to have withheld material information from ity of a takeover.

to block the 1987 merger of Hoechst and Celanese because it would reduce competition in another specialty chemical, the plastic acetal. Both GE and Carbide said yesterday they were confident they could have come to an arrangement with the commission. Other companies have overcome commission opposi-

tion by disposing of business lines where competition would be reduced. Ms Janice Mans-field, of GE's plastics division, said that talks really broke said that talks really broke down over sub-agreements in the merger, which would have given GE 70 per cent control of the new company.

Even so, the commission's threat on November 2 to seek an injunction against the

merger appears to mark a new activism by Washington antitrust authorities in the face of the consolidation in the world specialty chemicals industry. Silicones are additives used in the rubber, construction, motor and personal care indus-

tries. GE, with about \$450m in sales, and Union Carbide, with around \$300m in sales, are second and third in the world market. The FTC was auxious that the disappearance of an weaken rather than strengthen competition with Dow Corning, a joint venture of Dow Chemical and Corning

Glass, with over \$1bn sales. The only other significant supplier to the US market is Wacker of West Germany. The collapse of the merger leaves Connecticut-based Union Carbide in the weakest position.

Thomson, Aerospatiale discuss avionics tie-up By Paul Betts in Paris

THOMSON CSF, the French state-controlled defence and electronics company, and Aerospatiale, the French state aerospace concern, are negotia-ting a merger of their military and civil flight electronics businesses to form the largest European group in this sector with annual sales of FF13.5bn (\$610m).

The move reflects the current trend of regroupings in the world aerospaca and defence industries with major companies seeking to build themselves up to compete

internationally.

Thomson said yesterday that the talks with Aerospatiale, which have the strong support of the French Government. were expected to be completed within three months. Both Thomson and Aerospatiale would share ownership of the new combined flight electronics operation.

Thomson's avionics division has annual sales of FFr1.57bn. Aerospatiale owns three sub-sidiaries in this sector, including Sfens with annual sales of FFr1.34bn, Crouzet with sales of FFr680m and EAS with sales of FFr170m.

The merger would create a group with annual sales of about FFr3.6bn, making it the fourth largest in the world behind Honeywell/Sperry, Lit-ton and Allied of the US. The two French companies

indicated yesterday that com-petition in the flights electron-ics industry was intensifying following several mergers in this sector in the US

and the UK.

Thomson said yesterday that the two companies had been considering a possible tie-up of their flight alactronics operations for two years. The imminent agreement in this sector could now also open the way for other eventual strate-gic agreements between French groups in the defence, aerospace and elec-tronics sectors.

The two French companies indicated yesterday that com-petition in the flights electronics industry was intensifying following n series of mergers in this sector in the US and the

this sector in the US and the UK. Moreover, they said they would envisage possible links with other revionics companies if they both felt it was in the interest of both partners. Thomson said yesterday that the two companies had been considering a possible tie-up of their flight efactronics operations for the past two year.

two year.

The imminent agreement in this sector could now also open the way for other eventual strategic agreements between French groups in the defence aerospace and professional

electronics sector.

The joint GEC-Siemens bid for Plessey coupled with the recent regrouping of the West German aerospace industry around Daimlar-Benz has ceused much concern in France and could speed French efforts to encourage closer co-operation and mergers between French defence, aerospace and electronics groups.

State Farm 'violating

insurance law' By Nick Bunker

ILLINOIS-based State Farm, the world's largest motor insurer, has been told by regulators in California that it is breaking the law with measures it says it took to protect its policyholders against dam-age from Proposition 103, the insurance price-cutting mea-sure passed by voters in the state on November 2

state on November 8.

Ms Roxani Gillespie, California's insurance commis-sioner, has written to State Farm and another insurer, Safeco, saying they are violating local laws which forbid insurance companies to dis criminate against new customers by charging them higher rates than apply to existing ones. Her letter, on Monday, said she would not tolerate "unethical business practices" while the state's Supreme Court was delaying implemen-

tation of 103. State Farm has 17 per cent of the California motor insurance market. A week after the pasof 103, which provides for immediate cuts of up to 30 per cent in insurance premiums, State Farm stopped issuing new poli-

cies at the cheap rates. State Farm's largest company stopped taking new Taylor management. motor business altogether.

Chilean airline bidding stopped

By Barbara Durr in Santiago

BIDDING for a 32.7 per cent staka in Lan Chile, Chile's national airline, which was being offered to the private sec-tor, has been stopped. Six companies, including

Six companies, including British Airways, qualified last month to bid, but elevanth-hour changes in the bidding rules sowed confusion and apparently led to the withdrawal of four of the bidders.

Corfo, the state holding company received a gingle bid.

pany, received a single bid, a joint offer from two of the three qualified companies, Guinness Peat Aviation, with the Chilean forestry and agri-cultural company, Forestal Quinenco. But the offer did not

meet Corfo specifications for financial guarantees and was not accepted.

Government authorities late last week announced that Ladeco, Chile's private ahline and a pre-qualified bidder, was not suitable for acquiring Lan Chile's shares because competi-Chile's shares because competition in national air routes would be virtually eliminated. For the same reason, authorities said that another bidder, the European Bank for Latin America, would have to sell its 12.5 per cent stake in Ladeco, should it win the bidding for Lan Chile,

Adding to the last-minute confusion, authorities said that

Corfo would no longer be required to keep 40 per cent of Lan Chile's shares, one of the original conditions of the pri-vatisation. Now, apparently, the Government intends to privatise completely the airline. Currently, employees own 15 per cent of the company and Compania de Acero Pacifico (Cap), another of the six bidders, owns 1.3

Cap and British Airways withdrew from the bidding and Corfo said it was conducting an inquiry as to why the companies declined to participate. No new date has yet been set for reopening the bidding.

Campeau to sell Ann Taylor chain

By David Owen in Toronto

CAMPEAU Corporation, the Toronto-based property and retailing group which has run into problems since buying two US department store chains in quick succession for over US\$10bn, has agreed to sell for \$430m its Ann Taylor division to a corporation formed by Merrill Lynch Capital Partners. Mr Joseph Brooks and Ann The move is the latest in a

The price, \$420m of which

Allied Stores for \$3.4bn. ahead only marginally at \$35m, will be paid in cash, is considerably below the \$500m that Campeau was originally compared with \$33m in 1986-87. Sales per sq ft totalled \$750, one of the highest rates.

string of divestments designed to halp Campean finance its burdensome debt. In October, investors shunned a proposed \$1.15bn offering of junk bonds by Federated Department Stores, the Campeau unit, due to concern over its ability to pay the required yield.

reported to have been asking. Campeau acquired the upmarket women's apparel chain in December 1986 when it bought The 110 store chain had sales in fiscal 1987-88 of \$250m - up sharply from \$198m a year ear-lier. Profit, however, was

Pirelli to float tyre operations

By John Griffiths

PIRELLI, the Halian tyres and cables group, plans to float a 20 to 30 per cent holding in its world tyre operations on the London, Amsterdam and New York stock exchanges late next

year or early in 1990. The first stage of the plan will be put in place early next year, when the tyre operations - which account for about 45 per cent of Pirelli's total turnover - are reorganised into a new company, Pirelli Tyre Holding BV, to be based in Hol-

Prior to its float, this company will be controlled 80 per cent by Pirelli SpA, the holding company which in turn con-trols 80 per cent of the tyre and cahle group, and 20 per cent by Societe Internationale Pirelli, a Basie-based company which is Pirelli SpA's own largest share-

holder. Mr Ludovico Grandi, managing director of all Pirelli's tyre operations, told the Financial Times that operating activities at Pirelli's tyre plants world-

wide would be unaffected by the reorganisation.

The restructuring was being undertaken to simplify the gronp's complex corporate structure, to provide increased flexibility in the event of joint ventures or acquistions and to attract international investors, said Mr Grandt. It should also allow Pirelli to publish consoli-dated balance sheets for the first time, starting with the

current financial year.

Mr Grandi put no financial
value on what Pirelli might hope to realise from the flota-

Last month Pirelli group announced a 32 per cent rise in interim net group profits to \$106m on sales of \$3.3bn. This followed by a few weeks Pirelli SpA's announcement of fullyear profits for the holding company of L70bn (\$50.7m). Pirelli SpA's financial year ends on June 30, while the operating companies follow a calendar year.

The half-year results did not in the current year.

include any contribution from Armstrong Tire Company of the US, which Pirelli bought earlier this year for \$196m after making an unsuccessful \$1.9bm bid for Firestone Tire and Rub-

Ironically, a disclosure by Mr Grandi that Pirelli intends to invest \$200m in Armstrong over the next three to four years coincides with yesterday's announcement by Brid-gestone, the successful hidder for Firestone, that it is to invest \$1.5bn in expanding Firestone's capacity by about 30 per cent as part of Bridges-tone's declared intent to

become the world's biggest tyre maker. Goodyear and Michelin this year are each expected to have about \$8bn in tyre sales, with Bridgestone/Firestone in third

place at about \$6.5bn.
According to Mr Grandi.
Pirelli is in fifth place, with expected sales - including those of Armstrong - of \$3.8bm

November 1988 nt appears as a matter of record only.

THE BANK FOR FOREIGN ECONOMIC AFFAIRS OF THE USSR

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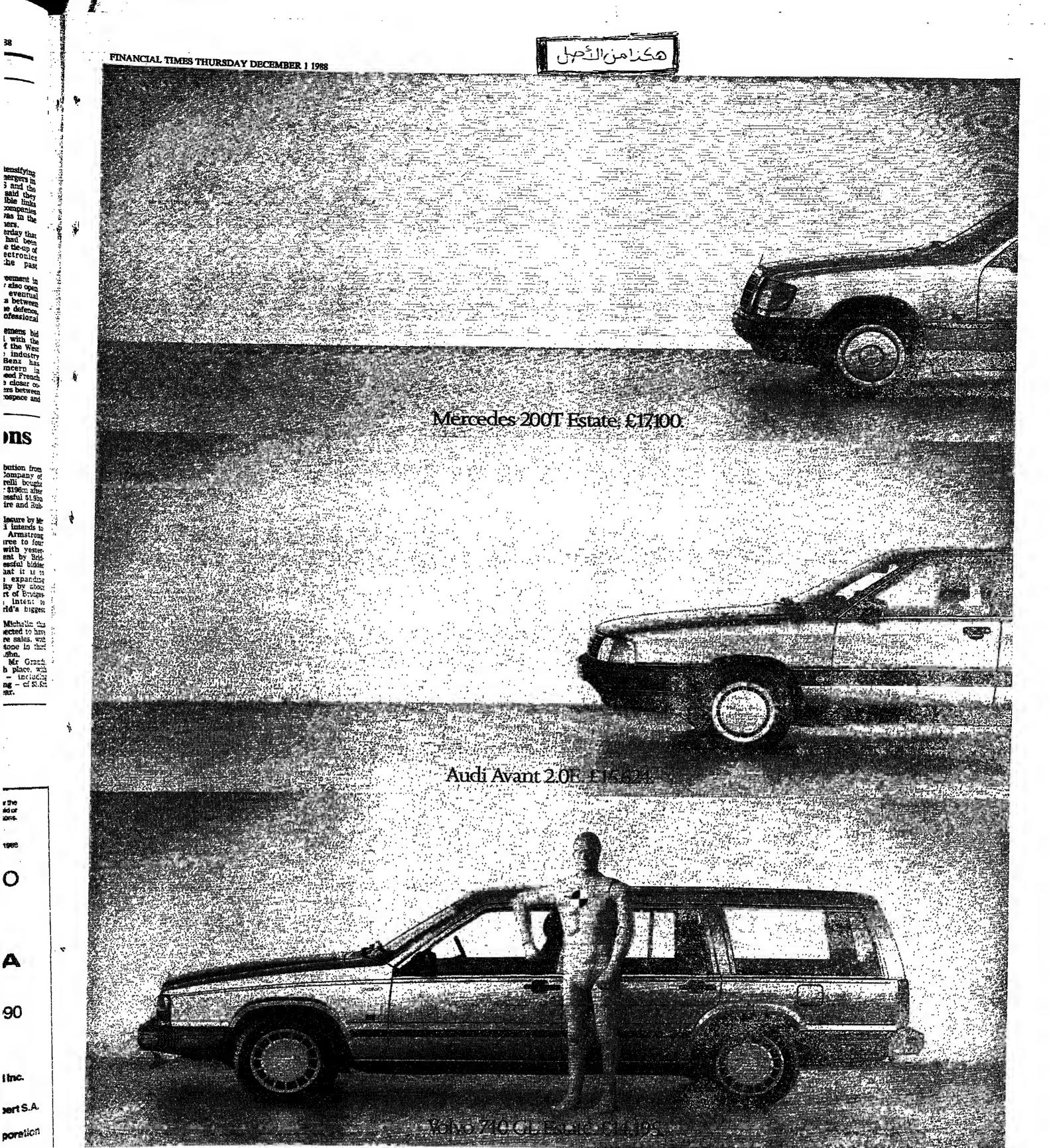
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INTL. APPOINTMENTS

Significant move at Lafarge Coppée

Dfis 125,000,000. – principal amount Future LAFARGE Coppée, biggest cement producer in France and North America and third-larg-Rate Notes due 1993 est in the industry world-wide, has appointed Mr Bertrand Collomh joint executive vice NOTICE OF INTEREST chairman of the group, effec-NOTICE OF EXERCISE tive January 1 next year.
The other executive vice

chairman is Mr Jean Francois, who has already held the posi-Notice is hereby given in accordance with Article 4 of the Warrant Agreement between N.V. Nederlandse Gasunie and the Warrant Agent, that the Notes to be issued on 15th December, 1988, shall bear Interest from 15th December, 1988 at the rate of 6'4 per cent, per annum. tion for 14 years. Apart from the two vice chairmen, the executive board will then comprise Mr Olivier Lecerf (chair-man), Mr Bernard Kasriel and of 6% per cent. per annum.

The Issuer will, at the option of the Warrantholder, exercise such Warrantholder. Price. The Warrantholder exercise such Warrantholder exercise such Warrantholder end of the Warrantholder exercise such Warrantholder and business day in Bruesels on a business day in Bruesels on a business day in Bruesels on Luxembourg, on a date between December 2, 1988 (this date including) up to and including December 8, 1988, the Exercise Motice, copies of which will be available tron Euro-clear, CEDEL, or from the Warrant Agent. The delivery to Euro-clear or CEDEL, of an Exercise Notice shall constitute an Irrevocable election by

Mr Jacques Lefevre.
The appointment of Mr Collomb, who is 46, is widely seen as marking him as heir-apparent to Mr LecerL Mr Collomb joined Lafarge in 1975, before its 1980 merger

with Coppée. He became gen-eral manager of the Ciments

Lafarge France subsidiary. He was made a member of tha group's executive hoard last year, and since 1985 has headed Lafarge Corporation, a leading US building materials concern majority owned hy Lafarge Coppée.

COMMERCIAL Union Assurance, one of the leading UK composite insurers, has appointed Mr Bernard Pottler chief executive of the company's operations in France. Mr Pottier, 45, will be managing director of Commercial

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first Interest Payment Date (all as defined in the Terms and

Conditions), is 4.68 per annum. Interest payable on 30th May, 1989 will amount to ¥2,320,767 per ¥100,000,000 principal amount of the Notes.

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Tokyo

Union France, holding company for the region, and Financiere St Georges, and chairman of L'Epargne de France and Commercial Union IARD. He has risen to prominence

in the French insurance industry over the past 21 years, and is chairman of the French Life Assurance Association.

ON THE Spanish scene, the next chairman of the state-owned Banco Exterior de España is to be Mr Francisco Luzon, corrently a senior executive at Banco Bilbao Vizcaya, Government officials stated. He will succeed Mr Mignel Boyer, a former Socialist Finance Minister. BBV, a Basque hanking

group, resulted from the recent merger of Banco de Bilbao and Banco de Vizcaya, two of the leading banks in Spain.

Mr Boyer recently agreed to become chairman of Cartera

central, a holding company jointly owned by a Spanish construction group and the Kuwait Investment Office. Cartera has holdings in Banco Central and Banco Español de Credito (Bancelo) Credito (Banesto). Central and Banesto plan to

merge next year, forming Banco Español Central de Credito, vying with BBV for top place among Spanish banks.

TWO SENIOR executive appointments have been announced by Republic New York, the US bank holding company founded by major shareholder Mr Edmond Safra, 56, the internationally famous hanker of Lebanese descent who is honorary chairman. Although classed as a medi-

um-sized company on assets rating, its ranking has been very high in recant years judged by profitability, earn-ings growth and liquidity. Mr Martin Clarke has been

named executive vice president and managing director of Republic New York (UK), the eurobond trading subsidiary. He is rejoining Republic from County NatWest, of the UK, where he was international securities sales chief.

Mr Jean Pierre Diels has been promoted to executive vice president of Republic National Bank of New York. the holding company's princi-pal subsidiary, and will con-tinue to head the national

Dresdner signals services move

By Andrew Fisher in Frankfurt

DRESDNER BANK, the seco largest commercial bank in West Germany, yesterday sig-nalled its intention of moving deeper into the broad area of financial services by amounc ing a series of moves in corporate finance, business consultancy, real estate, and mortgage financing.
The market for financial

services will change considera-bly in coming years," said Mr Wolfgang Roeller, chairman. "Competition is already tough in this market and it will crease further." The actions include new divisions in the bank, acquisitions and part-

nerships. At the same time, he announced a slight dip in earnings for the first 10 months, stating that the decline in the first half had been mostly made up in the buoyant third quarter.

Group partial operating profits for the period were 1 per cent lower at DM1.3bn (\$750m), the comparison being with ten-twelfths of the full 1987 result.

The full operating result, including income on own account trading in foreign exchange and securities, was 4 per cent lower, said Mr Roeller. But he declined to give e figure, noting that German banks had very different ways of calculating this total, which they need not disclose

However, if Dresdner worked out its total operating figure on the basis used by one of its rivals, he added, this would have been 20 or 30 per cent higher – one difference being the way securities earn-

ings are treated.

Dresdner is the second of the big banks to report its results, Commarzhank having announced a near 8 per cent drop in partial group profits to DM846m and a 2 per cent rise

in the full figure. Elaborating on Dresdner's plans in financial services, Mr Roeller said a new corporate finance division had been set up, along with a subsidiary to provide equity to expanding

Germany's small- and medium sized companies (Mittel-stand) had a fast growing need for ontside advice, he

The bank will also set up its own management consultancy operation and co-operate with KPMG, the big international anditing and consultancy con-

cern, in Germany.

In addition, it is buying a leading real estate agency and setting up its own mortage

finance company.

It will, therefore, sell its 25 per cent stake in Leonberger Bausparkasse, a regional mortgage bank in which Com-merzbank is believed to be planning e stake.



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INTERNATIONAL COMPANIES AND FINANCE

Yves Saint Laurent plans FFr1.5bn capital increase

By Paul Betts in Paris

YVES SAINT LAURENT is planning a FFT1.5bn (\$253m) capital increase which will also see Cerus, the French holding company of Mr Carlo De Benedetti, reduce by about one third its stake in the famous French fashion and perfume

Mr Pierre Berge, Yves Saint Laurent's chairman, also said yesterday that he envisaged floating the fashion and perfume house on the Paris bourse in early 1990. Yves Saint Laurent had originally hoped to be floated last year hat chandened the plan in the but abandoned the plan in the wake of the October 1987 stock market crash.

Mr Berge said that the capi-tal increase would enable Yves Saint Laurent to strengthen its balance sheet, provide funds for eventual diversifications and enable Cerus to make a capital gain on part of its stake in the company.

However, he emphasised that Cerus would remain a

privileged shareholder of the group controlled by Mr Bergé and Mr Yves Saint Laurent, the fashion designer. The capi-tal increase would be reserved to a new group of institutional investors, be said.

Mr Alain Minc, the Cerus chief executive, said Mr De Benedetti's French holding company intended to shed 2m of the 7.5m shares it held in the fashion business. He said Cerus was expected to make a consolidated capital gain of about FFr400m on its 1989 accounts from the operation.

Mr Minc confirmed that Cerus expected to report net profits of about FFr400m this year compared with profits of FFr300m in 1987. Next year, Mr De Benedetti's French holding company is expecting to see profits rise to more than FFr800m, including the capital gain on the Yves Saint Laurent

Cerus became a key partner of Yves Saint Laurent two of operating income.

agrees loan repayment terms years ago when it helped the French group acquire Charles of the Ritz for \$630m. The acquisition was designed to By Robin Allen in Dubai A.R.E. Galadari Brothers (AREG), the Dubai-based com-pany which is one of the leadreturn the Yves Saint Laurent perfume businesses held hy

ing diversified groups in the United Arab Emirates, yesterarles of Ritz to the French fashion group. At the time, Cerus took e 49 day signed an agreement with Dubai Bank on terms to repay per cent stake in the main Yves Saint Laurent holding company 51 per cent controlled by Mr Berge and Mr Saint Laua Dh401m (\$109m) loan. The loan had been the subject of litigation since AREG ran into liquidity problems in 1985. The settlement marks the rent. However, Cerus always indicated it intended to shed part of its stake in the fashion final chapter in AREG's long battle to reschedule or settle

siness after two years. Yves Saint Laurent now expects to report net profits of FFri20m this year on sales of more than FFr25m, company officials said. Operating profits are expected to total FFr400m this year. Perfumes are expected to account for ahont FFr2.2bn of sales and FFr300m of operating profits whils the fashion side will account for FFr300m of sales and FFr100m

against repayment of Dh244m of the Dh40im, it was ordered to pay interest at 9 per cent. The appeal court also ordered ths group to repay the full The principal constitutes loans made by Dubai Bank when it was controlled hy AREG. The bank was taken over in 1986 by Union Bank of the Middle East, itself owned 80 per cent by the Dubai Government. UBME changed its est would increase Leykamnama iast May to Emirates

debts of Dhibn.

Terms have not been dis-closed but it is understood that

principal and interest are to be repaid over a "long-term" period – generally eccepted to be more than seven years.

Last month, when AREG lost its appeal in the Dubai court resister represent of Dh244m

Bank International.

Twelve domestic and international banks had earlier settled individually on unsecured loans totalling Dh334m — at discounts in some cases of more than 60 per cent. A secured loan for Dh266m from a nine-bank syndicate led by Citibank had also been settled earlier with the syndicate tak-ing a mortgage on the Dubai Intercontinental Hotel and its adjoining Plaza apartment and

office complex.

The group's five core divisions – motor agencies, engineering and heavy equipment, property, food processing and publishing are said to be generating a healthy cash flow. This has helped it in many cases to reach out-of-court settlements with many of its creditors.

AREG was awarded the Ford gency last year to add to its Mazda car agency. This was seen at the time as a strong vote of confidence in AREG's managemant.

Creditanstalt in Dutch deal

By Judy Dempsey in Vienna

CREDITANSTALT-Bankverein, Austria's largest bank, yester-day agreed to sell for an undisclosed sum a substantial part of its holding in Leykam Mürz-taler, the country's giant paper manufacturer to Konink-lijke Nederlandse Papierfa-hreeken (KNP), of the Nether-

KNP, one of the leading manufacturers in Europe of coated fine papers, will hold a per cent in Leykam-Mürztaler.

The contract entails KNP setting up a holding company which will hold about 70 per cent of Leykam Mürztaler's share capital.

At the same time, the contract will reduce Creditanstalt's holding in the group from 70 per cent to under 23 per cent, but it will still retain half the voting shares plus half the voting shares plus

Mr Guido Schmidt-Chiari, Creditanstalt's chairman, yes-terday said KNP's equity inter-

Mürztaler distribution and sales throughout Europe as well as confirming the bank's policy of selling off some of its subsidiaries.

The Austrian group, which

last year had a consolidated turnover of Sch7bn (\$583m) and expected profits of Sch120m for this year, already exports 80 per cent of its total output.
KNP's consolidated turnover

HAL tourism deal worth \$400m

By Our Financial Staff

HOLLAND AMERICA Line Trust (HAL), which late last week said it was selling its tourism activities to Carnival Cruise Lines of the US for \$625m, said yesterday it would make a \$400m book profit on

HAL said it would continue as an investment firm for the time being. It will have a fund of \$700m in cash after complet-

ing the sale, which will become effective on January 15. HAL will seek shareholder permis-sion for the transaction at an extraordinary meeting in the first half of January.
In the deal, Carnival will buy

HAL's three cruise ships and 18 hotels in Alaska and Yukon, as well as their debts, leaving the Dutch firm without long-term debt.

HAL said it did not expect to pay taxes on the deal's book profit, which pushed liquid assets up to Fl 965 a share, above the current price for the stock on the Amsterdam bourse. Trading in HAL shares was suspended yesterday. HAL shares closed at Fl 1,198 on Tuesday, down from Fl 1,211 on Monday hut sharply up from Friday's close of Fl 735.

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Firestone group

PRIDGESTONE, the Japanese

tyre company, yesterday announced a \$1.5bn expansion

plan for Firestone Tire & Rub-ber, the US group if bought earlier this year for \$2.6bn.

includes increasing capacity at three large Firestone plants, in the US, Canada and Spain, as

well as the expansion of its US

distribution network.

The investment, coinciding

with a forecast slow-down in

North American and European

car production, could herald a

period of increasingly tough competition in tyre markets.

to become the world's largest tyre maker. Currently it is number three, behind Good-year of the US and Michelin, the French group.

Bridgestone's move will help allay feers world in the US at

allay fears voiced in the US at

the time of the Firestone acqui-

sition that it planned to run

down Firestone in order to expand sales of the Bridges-

tone brand in North America

Bridgestone's stated aim is

The three-year programme

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al Limited reces Limited grope Limite pance Limited

Bridgestone to Buoyant invest \$1.5bn in

Bridgestone brand tyres. Also, Bridgestone tyres will be sold through Firestone's Master-Care vehicle service business. About \$1bn of the invest-ment will be in the North American tyre business, chiefly for expanding output at a Firestone factory at Wilson, North Carolina, by 30 per cent and at Joliette, Quebec, by 40 per cent. Also, MasterCare's

network of 1,500 centres will be increased by 300.
Some \$300m will go on tyre
operations elsewhere, mainly in Europe, including a 30 per cent expansion at a factory in

Burgos, Spain.
The final \$200m will be spent on Firestone's non-tyre businesses, including the expansion of capacity in synthetic rubber and fabric and to roofing materials

More than 100 Bridgestone staff, specialising in produc-tion, research and development, will be seconded to Firestone to help raise "product quality and productivity." Bridgestone added that it

and Europe.

Nevertheless, an unquantified part of the new capacity at Firestone will be used to make was considering a separate expansion plan for the its own plant at Tennessee.



European investment Bank

£100,000,000 91/2 per cent. Loan Stock 2009 Issue Price 95.586 per cent.

Barclays de Zoete Wedd Limited has agreed to subscribe for £100,000,000 91/2 per cent. Loan Stock 2009. The Stock has been admitted to the Official List of The Stock Exchange. Dealings in the Stock are expected to begin at 9.00 a.m. on 1st December, 1988 without documents of title and at seller's risk for deferred settlement on 12th December, 1988. Interest will be payable half-yearly on 9th June and 9th December.

payable nar-yearly on sm June and sm December.

Particulars of the Stock are available in the Extel Statistical Service. In addition, listing particulars relating to the Stock may be obtained during normal business hours up to and including 5th December, 1988 from the Company Announcements Office of The Stock Exhange, 46/50 Finsbury-Square, London EC2A TDD and on any weekday (Saturdays and public holidays excepted) up to and including 15th December, 1988 from:—

Registrar's Department, New Change, London EC4M SAA.

Sponsoring Brokers: Rows & Pittmen Ltd. de Zoets & Beven Limited

1st December, 1988

electronics lift Toshiba and NEC

INTERNATIONAL COMPANIES AND FINANCE

By Michlyo Nakamoto in Tokyo

BUOYANT demand for electronics devices has enabled Toshiba, the Japanese maker of electric and electronic goods, to lift consolidated net income for the first half ended September by 203 per cent to Y53.4bm (\$439m).

Sales were Y1,818bn, up 6 per cent from a year ago. Pre-tax profits jumped by 161 per cent to Y88.72bn.

.The rise in profits was mainly due to brisk demand for office automation equip-ment, particularly semiconductors and personal computers which were in greater demand, not only in Japan, where the company has bene-fited from stimulation of the domestic economy, but also

As a result, Toshiba's information communication systems and electronic devices divisions posted a 26 per cent increase to sales over the first term last year.

Overseas sales and exports were also up by 9 per cent, helped considerably by the success of Toshtha's personal computer plant to California which opened in August, 1987, and by buoyant demand for

Toshiba forecasts a 7 per cent rise in sales for the whole of fiscal 1988, to Y8,820im, and an 81 per cent increase in net income to Y110bn, largely on continuing demand for its electronics devices and semicon-

NEC, the big Japanese maker of computers and semiconductors, said net earnings to the first-half ended Septem-ber 30 more than doubled to Y26.2bm or Y17.66 per share from Y9.515hm or Y6.64 in the

previous year.

Consolidated pretax profit sarged 72.4 per cent to Y48.7bn from Y28.2bn. Sales totalled Y1,425hn, up 14.7 per cent from Y1,242hn.

Sales of communications equipment to the six months rose 13.5 per cent to Y399.6bn from Y352bn, while computer sales totalled Y549.1bn, up 8.5 per cent from Y506.2bn. Those of electronic devices surged 24.6 per cent to Y263.6bn from Y211.6bn.

Samancor plans to shake up stainless steel market

مكنامن الأجل

for a major shake-up next year if Samancor, the South African ferro-alloys company, goes ahead with plans to make its own steel.

For the present Mr John Muller, Samancor's acting managing director, is rejuctant to talk about the project in any but the most general terms, but the company's competitors here have fewer inhibitions.

It is a highly risky venture as most of the world's stainless

markets are closed to outsiders, says Mr Leo Melvill, the marketing director of Middel-burg Steel & Alloys. He sdds that South Africa's manufacturers of ferro-chrome, one of the basic ingredients of stain-less steel, need to be careful about producing stainless steel in competition with their principal foreign customers.

At present Middelburg is Sonth Africa's only stainless steel producer and will increase its production of rolled products to 150,000 tonnes next year from the present 100,000 tonnes.

This year the non-commu-nist world will produce 10.2m tonnes of stainless and special-ity steels, and the people marketing Middelburg's production are sensitive to the risk that additional production could disrupt the market.

to produce 250,000 tonnes of stainless billets destined for a single market - Taiwan.

COMPLETION of old contracts

won when margins were par-

ticularly narrow has restrained

interim profit growth at LTA, one of South Africa's largest

civil engineering and construc-

tion groups.
Though the industry

remains very competitive the directors are confident operat-

ing results will improve. Turn-

over rose to R838m (\$241m) in the first half ended September

30 from R510m in the corresponding period of 1987.

The interim operating profit

By Jim Jones

Middelburg sells small tonnages in several markets, while it seems Samancor plans

Mr Gert Jonker, a director of ferro-chrome producer Consoliits percentage share of this

he world's stainless dated Metallurgical Industries, says Samancor's stainless production plans are logical. He believes the proposed plant's output is destined for Tangeng, the Talwanese steelmaker and an important customer for

> Samancor's ferro-chrome. Hot billets, the crudest form of stainless steel, will be exported to Taiwan for the more complicated and costly annealing, pickling and cold rolling processes. At a time

Jim Jones in Johannesburg on South African ferro-alloys producers' plans

when ferro-chrome is in particularly short snpply, the Tai-wanese steel company is clearly attracted by the pros-pect of a secure supply for its stainless rolling mills.

Between 1970 and 1987, Middelburg estimates, world stain-less steel production rose at an average annual rate of 3.5 per cent. Growth has been crimped this year by shortages of ferrochrome and nickel prices rising on supply disruption fears.

Although South Africa's fer-

ro-chrome production is set to rise sharply over the next few years as new capacity comes on stream, over-supply is unlikely to be a noticeable factor in 1989, said Mr Jonker. Last year South Africa produced half of the world's 2.22m tonnes of ferro-chrome, though

LTA interim profits restricted

R7.9m from R6.5m and pre-tax

profit was R6.2m against

R5.1m. In the last financial

year turnover was R1.24bn, the

year's operating profit R10.3bn and pre-tax profit R9.3bn.

mistic forecast on LTA's partic-

ipation in several major projects in the sub-continent.

They say the company is

already involved in the

Lesotho Highlands water proj-

ect and the Mossel Bay syn-

thetic fuels project.

The directors base their opti-

slightly. By 1993, however. about 650,000 tonnes should have been added to Sonth Africa's total ferro-chrome capacity, lifting annual output

to about 1.8m tonnes. Ferro-chrome demand last year ontstripped supply by about 77,000 tonnes and as the deficit rose to about 150,000 tonnes in 1988 the alloy's price rose sharply with customers being rationed and world inventories cut to their present

1.5 weeks of demand. Inventories are now so low that any delays in shipments from South Africa can seriously disrupt some stainless manufacturers' production schedules. Next year additional production from South Africa and other, more costly, producers should ensure the deficit is

South African producers do not expect prices to soften.
They believe 1969 will be the
year of rebuilding inventories
and that present ferro-chrome prices can be maintained.

They are less certain about prices rising for, as Mr Jonker sees it, higher ferro-chroma prices could force stainless steel makers to raise their prices and make stainless uncompetitive. Demand for stainless steel has firmed in recent years because compara-tively flat prices made it competitive against increasingly costly plastics and aluminium.

The steel's comparativa cheapness also gave it the edge in construction projects where it became cheaper than con-ventional carbon steels judged

First-half earnings per share

LTA is controlled by Anglo

American Corporation, South Africa's largest mining house.

• Tempest International, the Swiss andio products maker, has sold its South African

interests to Supersonic Radio, the local subsidiary of the

Dutch Interboard company, for R21.1m (\$7.5m at the financial

rand exchange rate).

were 21 cents against 11 cents a year earlier. Ordinary divi-dends have not been declared

since 1984.

IN CONJUNCTION WITH U.S.\$500,000,000 21/4 per cent. Notes due 1992

NOTICE TO HOLDERS OF WARRANTS OF

KIRIN BREWERY COMPANY, LIMITED

Pursuant to Clause 3 and 4 of the Instrument, dated 4th August, 1987, the following notice is hereby given:

At the meeting of the Board of Directors of Kirin Brewery Company, Limited (the "Company") held on 10th November, 1988, a resolution was adopted for the issue of new shares by way of free distribution, particulars of which are given below. Consequently the subscription price of the captioned Warrants shall be adjusted, as ally provided in paragraph 3 below.

 The free distribution of new shares will be made to shareholders on record as of 31st December, 1988, Tokyo time, at a ratio of 0.05 for each one share held.

2. The free distribution shall be made on 15th February, 1989, but the dividends for these new shares will accrue as from 1st January, 1989 Tokyo time.

Pursuant to condition 7 of the Warrants, the subscription price will be adjusted from Yen 2,563 to Yen 2,441.00 per share. The new subscription price shall become effective on 1st January, 1989, which is immediately after the record date.

The Mitsubishi Bank, Lämited As the Fiscal Agent on Behalf of: KURIN BREWERY COMPANY, LIMITED



FIRST NATIONAL BANK Plc AND FIRST NATIONAL MANAGEMENT LIMITED

ANNOUNCE THAT WITH EFFECT FROM **Ist DECEMBER 1988** THE HOME LOAN RATE WILL BE

First National House, College Road, Harrow, Middlesex HA1 1FB.

CITICORP & MORTGAGE SECURITIES, INC.

REMIC Pass-Through Certificates, Series 1987-13 US\$57,057,000 Initial Stated Amount of Class A-1 Citicartificates

For the period 1st December, 1988 to 1st March, 1989 the Class A-1 Cacertificates will carry an interest rate of 10,25% per annum with an Interest amount of US\$24.29 per US\$1,000 (the Initial Stated Amount of an individual Citicertificate) payable on 1st March, 1989, The Stated Amount of the Citicertificates outstanding will be 94,7894053% of the Initial Stated Amount of the Citicertificates, or US\$947.88 per individual Citicertificate until 1st March, 1989.



Security Pacific

National Bank, London

Agent Back 1st December 1988

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NIPPON OIL FINANCE (NETHERLANDS) B.V.

(Incorporated with limited liability under the laws of The Netherlands and established in Amsterdam)

¥8,000,000,000

Floating Rate Notes due 1992 Issue Price 100.30 per cent.

Yamaichi International (Europe) Limited

Mitsui Trust International Limited

Daiwa Europe Limited Mitsui Finance International Limited

DKB International Limited Nomura International Limited

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

25th November, 1988



NIPPON OIL FINANCE (NETHERLANDS) B.V.

(Incorporated with limited liability under the laws of The Netherlands and established in Amsterdam)

¥6,000,000,000

7½ per cent. Notes due 1992

Issue Price 110% per cent

Nomura International Limited

Bank of Tokyo Capital Markets Group

Barclays de Zoete Wedd Limited

Fuji International Finance Limited

Mitsui Finance International Limited

The Nikko Securities Co., (Europe) Ltd.

Yamaichi International (Europe) Limited

30th November, 1988



Hitachi Construction Machinery Co., Ltd.

U.S.\$100,000,000

4% per cent. Guaranteed Bonds Due 1992

Warrants

to subscribe for shares of common stock of Hitachi Construction Machinery Co., Ltd. The Bonds will be unconditionally and irrevocably guaranteed by The Industrial Bank of Japan, Limited

Issue Price 100 per cent.

Nomura International Limited

IBJ International Limited

Yamaichi International (Europe) Limited

Bank of Tokyo Capital Markets Group

Algemene Bank Nederland N.V. **Banque Indosuez Baring Brothers & Co., Limited** Credit Suisse First Boston Limited **DKB International Limited** Fuji International Finance Limited The Nikko Securities Co., (Europe) Ltd. Sanwa International Limited

Barclays de Zoete Wedd Limited **BNP Capital Markets Limited** Daiwa Europe Limited Robert Fleming & Co. Limited Merrill Lynch International & Co. Salomon Brothers International Limited SBCI Swiss Bank Corporation Investment banking Shearson Lehman Hutton International

KOKUSAI Europe Limited Nippon Kangyo Kakumaru (Europe) Limited

J. Henry Schroder Wagg & Co. Limited

New Japan Securities Europe Limited Sanyo International Limited

This announcement appears as a matter of record only



HILL OF RUBISLAW NOMINEES LTD

£32,000,000 SECURED LOAN FACILITY

FOR THE PURCHASE OF PRESTIGE OFFICE PROPERTIES IN ABERDEEN

Provided by

ARAB BANK LTD (London Branch)

BANQUE BRUXELLES LAMBERT (London Branch)

Agent

ARAB BANK LTD (London Branch)

November 1988



Coles Myer Ltd.

Notice to Holders of Coles Myer Finance International Limited (the "Issuer")
A\$125,000,000 9½% Subordinated Convertible Bonds Due 1997 (the "Bonds")
Unconditionally Guaranteed and with Conversion Rights into Ordinary Shares of Coles Myer Ltd.

In accordance with Clause 9(B) of the Trust Deed dated 24th July, 1987 constituting the Bonds you are hereby notified that Coles Myer Ltd. has declared a bonus issue of its Ordinary Shares at the rate of one Ordinary Share for every eight Ordinary Shares held. Holders of the Bonds who elect to convert their Conversion Bonds between 30th November, 1988 and 9th July, 1997 shall, in addition to the Ordinary Shares to be allotted pursuant to Condition 4 of the Conversion Bonds, be entitled to such additional Ordinary Shares as the holder would have been entitled to receive had he converted his holding of the Bonds prior to 30th November, 1988, the record date of such bonus issue.

Holders of the Bonds are not required to convent their Conversion Bonds or to take any other action at this

time to participate in the bonus issue. Any request for further information should be addressed to:

The Company Secretary, Coles Myer Ltd., 800 Toorak Road, Tooronga, Victoria 3146, Australia

Paying and Conversion Agency Department, Bankers Trust Company, Dasinwood House, 69 Old Broad Street, London EC2P 2EE

INDIA

The Financial Times proposes to publish this survey

20th December 1988

For a full editorial synopsis and

advertisement details, please contact: **Hugh Sutton** on 01-248 8000 ext

or write to him at:

3238

Bracken House 10 Cannon Street London EC4P 4BY

FINANCIAL TIMES

INTERNATIONAL CAPITAL MARKETS

Vanilla \$ straight finds favour in quiet trading

By Dominique Jackson

A SINGLE plain vanilla dollar straight for Credit National, which met a warm reception, formed virtually the only highlight in a subdued Eurobond market yesterday.

Some dealers cited Friday's US employment and pay roll data for November as a key factor behind low levels of activity while others noted.

activity, while others noted that a few houses were already beginning to wind down abead

beginning to wind down ahead of Christmas and the year-end.
LTCB was the lead manager on the \$160m four-year deal for Credit National which carries the prized Republic of France guarantee. The deal came to the market at an initial yield margin of 39 basis points over comparable Treasury securities, a suread considered fair.

ties, a spread considered fair.

The lead manager said syndication was completed swiftly with five co-leads and more than 30 co-managers coming into the deal. The top quality of the borrower and the lack of any similar paper in the sector helped to propel the deal and it was well hid within its total fee

level all day.

Deutsche Bank Capital Markets brought two well-received deals. An Eculoom issue for Banque Nationale de Paris, an ideal name for the sector, carried an attractive 7% per cent

coupon and was well bid within fees. The other deal, a A\$50m issue for the Tasmanian Assum issue for the Tamamam
Public Finance Corporation,
carries the guarantee of the
Treasurer of the state of Tasmania and was bid at a discount of 1.80, compared with
total 2 per cent fees by the end
of the day.
In Germany, two new public
deals emerged. Commerzbank's

INTERNATIONAL BONDS

DM125m subordinated sevenyear deal for Danish savings bank Sparekassen Bikuben reportedly saw interest from within the lead manager's own branch network, which could take some time to filter

However, the deal was connowever, the dear was considered a little on the tight side for a borrower which does not have a high investor profile in the sector. It was quoted bid on fees by the lead manager although hids outside the fees were heard elsewhere in the

market • The Ruronean Investment Bank came to the buildog sector of the sterling-denominated bond markets with a £100m

issue due 2009. A buildog bond is an issue in the UK domestic market for a foreign or supranational borrower, and the EIB deal follows a similar issue for Portugal just over a month

BZW won the EIB mandate for the bought deel in a com-petitive tender. The borrower invited houses to bid for the issue on which it had deter-mined to offer a 9% per cent

The issue was eventually priced at 95.586 per cent and, at its opening price, offered an initial yield margin of 83 basis points over the 9 per cent Treasury stock of 2008. The borrower has three issues outstanding in the sector all with

standing in the sector, all with slightly shorter maturities. The senior, unsecured issue is in registered form and fea-tures a purchase fund which will operate in the first four years, retiring up to a maximum of £15m.

Senior syndicate managers at other houses suggested that the pricing of the issue could have been marginally more generous. Nevertheless, BZW said it had sold most of the issue in a relatively short period following its launch, retaining a portion for itself to maintain a trading position.

NEW INTERNATIONAL BOND ISSUES

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STERLING EIS(b) 🌢	100	912	95.586	2009	n/a	BZW
ecus BNP	100	7%	101%	1994	12/14	Deutsche Bk Cap.Mkts
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Alchi Sharyo Co.(a)★★5◆ **Private placement. 5Convertible. •Final terms. a) Put option 31/3/91 at 10712 to yield 3.686%. b)

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Listed are the latest international boods for which there is	na adequate secondary market.
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Brazilian capital flight accelerates

By Ivo Dawnay

in Rio de Janeiro CAPITAL FLIGHT ds accelerating in Brazil as a con-sequence of political and financial instability and gen-

eral concern over the eco-nomic outlook. According to a study submitted to the central bank, the leakage out of the Brazilian economy reached \$3.8bn in 1987 and is set to double to somewhere between \$6hn and \$7.5hn this year — equivalent to more than half Brazil's total foreign debt liabilities.

Dr Clarice Pechman, the independent economic consultant who were the report

tant who wrote the report. estimates that as much as 11.5 per cent of all foreign

per cent of all foreign exchange transactions conducted in the country are taking place in the illegal currency markets.

This worrying picture prompted the consideration yesterday by the interministerial National Monetary Council of a proposal to create a "tourist dollar" aimed at legitimising a proposal of these deals. ing a proportion of these deals.

Analysis by Dr Pechman, submitted to the Bank, attri-

butes the rapid growth in capital flight to three key factors: The increasing use of black dollars as a savings instrument, both to hedge against inflation and to avoid tougher income tax assessments, now

 The surge in informal debt conversions, whereby creditors accept reimbursement of loans in cruzados, then export dol-lars bought in the black mar-

· Growing under-invoicing of exports and over-involcing of imports by traders attempting to hold profits off-shore. Dr Pechman, who is retained

as a consultant by Brazil's Hotels and Tourism Association, argues that legitimising free exchange rates for tour-ists would bring a substantial flow of cash back to the legitimate economy. Her studies calculate that

about 2m tourists spent an average of \$57 a day in Brazil last year — or \$1.75bn in total - yet only \$100m of this was exchanged at official rates. She strongly rejects, how-ever, a parallel plan to intro-duce a special import/export

exchange rate.

"I am completely opposed to this as it would distort the allocation of resources in the.

"The plan is the result of lobbying by the export sector and in particular the automobile industry. It can't be justi-

Yesterday, the official exchange rate stood at Cz688 to the dollar, while the black market was buying the cur-

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rency at Cz330.

• Record discounts were paid by bidders at a debt-conversion auction in Rio de Janeiro on Tuesday, with buyers pay-ing 50 per cent for the "free conversion area" and 21.5 per cent for projects in the special development areas of the north-east and Amszon.

The high discounts have been attributed to reports that the formal auction conversion system — responsible for \$1.7bn in swaps this year — is soon to be restricted or suspended.

Citic acquires stake in HK deposit taker By John Elliott

in Hong Kong THE PEKING-BASED China International Trust and

International Trust and Investment Corporation (Citic) is buying the Royal Bank of Canada's 50 per cent stake in China Investment and Finance (Cif), a Hong Kong-registered deposit taker with net assets of about US\$50m.

Citic's stake is held by Citic Industrial Bank which

Industrial Bank, which already owns the other 50 per cent. Cif was set up in 1984 and provides advice, leasing and loans for projects in

Both partners had a right to request the other to sell some of its stake after four years and Citic, which is believed to and Citic, which is believed want to make changes in Cit's operations, recently exercised that right.

Mr Paul Au, Royal Bank's

Mr Paul Au, Royal Bank's
Hong Kong representative,
said yesterday that his bank
had agreed to sell as it
believed this would mean that
its "long-term good relationship with Citic would not be
damaged."

Heads of agreement have
been signed for the sale, which
is expected to be concluded
within the next few weeks.

Japan's Finance Ministry
will allow the Canadian Imperial Bank of Commerce to sell
Japanese government bonds Japanese government bonds from December 1, Renter

reports from Tokyo.

The ministry will also allow five Japanese regional credit banks to sell the bonds. The bank is the 18th foreign bank to be allowed to sell Japanese

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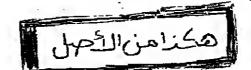
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INTERNATIONAL CAPITAL MARKETS

EIB issue turns attention | Italian away from long-term gilts 8-year bond

GOVERNMENT new 10-year bond to be and ... By early afternoon, the Treaconventional bonds closed lower in sluggish trade, with falls among longer issues pati-cularly noticeable.

Dealers pointed to the emergence of a new £100m domestic bond due 2009 for the European Investment Bank as the likely cause for the selling among long-term issues, noting it was the most attractive alternative to long-term gilts for some

time.

The issue was priced to give investors a yield pick-up of 85 basis points over the 9 per cent Treasury stock due 2008. It is rated AAA.

As a result, investors were switching out of gilts and into the EIB issue, sacrificing just a little liquidity to attain quite a

little liquidity to attain quite a substantial yield pick-up.

The severe shortage of stock in that sector is already reducing the effectiveness of the long-term glit futures contract

as a hedge - and possibly undermining the willingness of investors to hold long gilts in their portfolios. For instance, the 18% per cent stock due 2003/2007, once the benchmark long-term gilt issue, is no lon-ger deliverable for the futures

In addition to the attraction of the EfB bulldog bond, dealers noted switching into medium and shorter-dated issues, which showed smaller price declines by the close.

But index-linked gilts, in sharp contrast to the conven-tional sector, posted handsome gains, rising as much as % of

Dealers said retail demand had apparently prompted the Bank of Eugland to release some of the index-linked stock it bought two weeks ago as prices fell sharply. In addition, some dealers speculated that a £100m sell programme in UK equities had been diverted, at st partially, into the indexlinked sector, which often serves as a proxy for the stock

BOND PRICES in Tokyo firmed yesterday, with the benchmark 105th government issue rising Y0.30 to Y102.85, The yield on the benchmark-issue declined 0.045 of a basis point to 4.555 per cent. Meanwhile, the Bank of Japan said the coopon on its

Later to District the state of

become the new benchmark. The Bank of Japan's moves to add liquidity on Tuesday proved reassuring to investors who had feared a rate rise was

AUSTRALIAN government long-term bond prices closed unchanged, while short-term interest rates fell broadly. After data on Tuesday showing that Australian GDP rose

GOVERNMENT BONDS

only 0.3 per cent in the third quarter, Mr Paul Keating, the Treasurer, said monetary pol-icy was sufficiently tight. This triggered unusually aggressive bidding at the six-month hill

Rates at the auction fell to 14.672 per cent from 14.945 per cent at the last auction. However, short rates are still too high to make it worth inves-tors while to borrow funds to finance a long-term position.

REPORTS of moderating eco-nomic growth and hopes of stabiltty in the currency and oil markets belped US bond prices extend their recent raily in early trading yesterday.

tioned in December would be 4.7 per cent, making it increasingly likely that the £6 per cent number 111 bond would another \$\frac{1}{2}\$ to trade at \$9\frac{5}{2}\$. a price at which it yielded 9.063

> Money market rates remained stable throughout the morning, as the Federal market rates Reserve added liquidity through overnight system repurchases. The Fed entered the market when Fed funds were trading at 8% per cent, a level at which the funds remained throughout the rest of the morning and lunchtime trading sessions.

> The market was encouraged by the stability of the dollar, which managed to remain well above its recent lows despite the absence of central bank intervention. As the day progressed, however, the US currency again showed signs of weakness, falling to Y121.45 and DM1.7810.

Oil prices were also a mildly bullish influence, as the big rally in oil futures which fol-lowed the Opec production accord began to stail.

The main factor in the market's favour, however, was the publication of the Fed's "tan book," a compendium of ecouomic information put together for the next meeting of the Fed's open market com-mittee, to be held on December 13 and 14. The tan book said that while economic growth was continuing in most parts of the country, its pace had apparently slowed from previous months.

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	9.000	10/08	98-01	0/32	9.22	9.11	8.94
US TREASURY	8.875 8.000	· 11/98 11/18	98-14 98-24	+4/32 +3/32	9.11 9.12	9.11 9.14	8.68
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GERMANY	6.750	8/98	102,2000	+0.175	6.46	6.40	6.30
FRANCE BTAN OAT	8.000 9.500	10/93 5/98	97.8804 104.7250	+0.095 +0.125	8.53 9.73	8.55 277	8.37
CANADA	10.250	12/98	101.0000	+0.250	10.09	10.00	9.78
NETHERLANDS	6.7500	10/98	102,0800	+0.030	6.53	6,48	6.34
AUSTRALIA	12.500	1/98	100,1974	+0.054	12.45	12.27	11.90
London closing, "d	enotes N	ew York	morning se	esion		0.719	

th ago yields on US Treasury apply to the 9.250 of '98 and the 9.125 of 2018 is: Local market atendard Prices: US, UK in \$20ds., others in declared

Treasury's

disappoints By Alan Friedman in Rome A NEW fixed-rate L1,500bu (\$1.17bn) Italian Treasury issue with an eight-year matu-

rity, the longest seen in recent history, has turned out a flop. Despite the anthorities' assumption that, with infla-tion fairly stable, Italian insti-tutions would wish to lock into longer-term yields, only L594bn of the issue - a little more than a third — was taken up, including L150bn of paper hought by the Bank of Italy.

In theory, the eight-year bond, with a put outlon after four years, should have gone well. Recent issues of three to five-year paper have been beavily oversubscribed and the market had expected inter-

est rates to ease.

The eight-year issue, known as a CTO, offered a 10.25 per cent coupon and was priced to offer a 10.67 per cent net yield if the put option were exercised in the fourth year, or 10.07 per cent net after eight

But recent issues of three to five years, known as BTPs, have offered yields of 11.2 per

The Treasury offer, in some ways an experiment, may have suffered from institutional wariness, given the recent rise in US and UK interest rates.

The Italian market was probably also sensitive to a slight hint of higher inflation in last month's figures, despite forecasts that inflation would remain below 5 per cenf.

AIBD Trax system in Telekurs link By Dominique Jackson

THE ASSOCIATION of International Bond Dealers has announced that Trax, its trade matching and reporting system, will be made available to members through Telekurs, the financial information and market data service.

From early 1989, connection to Trax will be offered either through Telekurs' Investilata terminals or via their computer-to-computer interface. Telekurs has 30,000 subscriber terminals in operation, mainly in Switzerland.

Bank of Korea fights for autonomy

By Maggle Ford in Seoul

TEAMS OF officials from Western central banks are being asked for advice by the Bank of Korea, their Sonth Korean counterpart, which is fighting for its independence from ceutral government.

Officials from the Bank of England, the West German Bundeshank and the Bank of France have received Sonth Korean delegations or paid visits to Seoul to advise on the functions of a central bank and the way relationships with governments work in the West.

The Bank of Korea, which for years has been controlled firmly by the Ministry of Finance, has mounted a strong campaign for autonomy. Its headquarters is draped with banners calling for economic and financial democracy and its cause has been taken up by

opposition politicians. The issue has gained momentum in the past few weeks during televised parliameutary investigations into the regime of Mr Chun Doo Hwan, the former president.

The bearings revealed a host of details about the way political funds had been extracted from businesses in return for favours, with companies being made bankrupt or reorganised for political reasons.

The Bank of Korea believes it needs independence in order to manage the economy compe-tently. It points to the extreme difficulty it experienced earlier this year in coutrolling the

money supply and thus the impossible to scrutinise a cominflation rate.
Observers believe that politi-

cal payments made during last year's presidential election caused the money supply to overshoot its target of an increase of 18 per cent. It recorded a 22.5 per cent rise in December. The rate of inflation, which had remained steady at about 3 per cent for several years, reached a year-on-year rate of 8.4 per cent last March, but has now fallen.

The central bank is also concerned that its ability to super-vise the commercial banks is compromised by the awarding of ac-called "policy loans," which are directed by the Government to be given to certain

companies in specific industrial sectors. The bank says that it is

pany's financial structure and worth as a creditor under this

system. A government plan to liberalise interest rates will not be workable unless the relationship between the private sector and the Ministry of Finance is changed, it adds.

Foreign central banks have also had contacts with officials from the Monetary Board, a body set up by the Ministry of Finance to liaise with the Bank

of Korea. Chairmanship of this body, composed mainly of academics and other official economists, should be held by the governor of the Bank of Korea, not the vice minister of finance, critics

argue.
The bank's struggle for inde-

the issue of South Korea's financial liberalisation. Although it is unclear how the bank's attitude to deregulation would differ from that of the ministry, the bank could expect an increase in its role if capital markets were expan-

Public and government conceru abont liberalisation focuses on two main issues the possibility that large business groups could expand their interests to cover an even larger sector of the economy than they have now, and that foreigners, especially Japanese, could gain control of key sec-

tors of industry or banking Supporters of the bank's campaign say an independent central bank with appropriate powers can act as a necessary

pendence is also linked with check on such activities.

SEOUL COMMITTEE BACKS OPEN SECURITIES MARKET

AN ADVISORY committee has recommended that South Korea open its securities market to direct foreign investment by 1992, AP-DJ

reports from Seoul.

Finance Ministry officials said the Finance Industry Development Deliberation Committee made the recommendation on Tuesday, when the committee met to propose a set of measures to the ministry. The committee said an earlier opening was not advisable as the South Korean onomy was not yet ready to compete against foreign capital.

The Government still bans direct foreign

investment on the market – prompted by fears that foreign capital might dominate the South Korean capital market – although foreigners are allowed to make indirect investment

through overseas Korea funds.

The Finance Ministry is due to announce in about a week's time a timetable for opening

capital markets to foreigners.

Before the proposed opening, the committee suggested, the size of Korea fund-type investment units and the issue of beneficiary certificates for foreign investors should be expanded. The committee also called for an increase in the issue of such overseas securities as convert-ible bonds, bonds with subscription warrants

and depositary receipts.

The committee also recommended that foreign securities companies be allowed to establish more liaison offices in South Korea, and that foreigners' equity participation in domestic brokerage houses be expanded before 1992.

Export finance facility Amro set to shed 50% arranged for Zimbabwe

By Katharine Campbell

A NEW \$45m revolving bankers acceptance axport finance facility has beeu arranged and syndicated for Zimbabwe's Agricultural Mar-

the facility, similar to one arranged last year, carries a Government of Zimbabwe guarantee and a margin of % percentage point over the bankers' acceptance rate, as last year. Bankers Trust is arranging the loan, replacing the ANZ Banking Group, which put together the 1987 fmanc-

ing.
The facility was anbatantially oversubscribed, which Bankers Trust ascribed to a steadily improving market per-ception of Zimbabwe. This

year's financing is denominated in dollars. Export sales covered will

include certain regulated agri-cultural products, such as maize, cotton, coffee and beef. Elsewhere, Western Australian Treasury Corporation expanded to \$750m a \$200m Eurocommercial paper pro-

gramme, adding an option to issue Euroyen. The current dealers, CSFB, which arranged the programme, and Citicorp, have been joined by Daiwa Europe, Merrill Lynch and Shearson Lehman Hutton. The

programme, with prime A1+/P1 credit rating, will absorb

and eventually replace the pre-vious facility, arranged for the

State Energy Commission.

holding in Dutch bank By Laura Raum in Amsterdam

THE Amsterdam Rotterdam Bank (Amro) expects to com-plete shortly the sale of its 50 per cent stake in Albert de Bary, a medium-sized Dutch bank, to Deutsche Bank, which holds the remaining stake. Deutsche Bank has beeu

negotiating for several months to take full control of De Bary as part of its expansiou of international securities trading business.

The big German bank believes that such European financial centres as Amster-dam and Paris will grow in importance at London's expense in coming years and wants to be well placed to take advantage of the trend.

have taken on more signifi-cance in the wake of West Germany's withholding tax on its state bonds. Amro refused to disclose any

details of the deal in a terse statement issued yesterday. But the Netherlands' second largest bank is concentrating its attention these days on its strategic alliance with Generale Bank of Belgium. De Bary is primarily engaged

in international trade financing, although it is a member of the Amsterdam stock exchange and the European Options Exchange. It had a balance sheet total of F13.5bn (\$1.8bn) as of 30 September 1987, down Dutch government bonds slightly from the year before.

LONDON MARKET STATISTICS----

DICES AND EALLS VESTEDDAY

FT-ACTUARIES SHARE INDICES

. These indices are the joint compliation of the Financial Times, the institute of Actuaries and the Faculty of Actuaries

•	EQUITY GROUPS	W	Wednesday November 30 1988						Tate Man Fri Man Man Man 29 28 25		
ŀ	& SUB-SECTIONS gures in parentheses show number of stocks per section	fodex Ma.	Day's Change %	Est. Earnings Vield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Met)	nd adj. 1988 to date	tuden No.	tsdex No.	index No.	todex No.
	CAPITAL GOODS (209)	784.47	+8.5	21.29	4.35	18,96	24,86		780.19	771.59	
3	Building Materials (28)	972.39	10.4	12.91	4.62	9.54		968.77		987.57	
3	Contracting, Construction CF77	11170.00	+6.5	13.11	4.06	9.94					
21	Contracting, Construction (39) Electrolics (2.1) Electronics (30) Meshanical Engineering (35)	2303.70	+0.2	9.13	4.30	13.23	76.55	2349.72 1714.28			
2	Electronics OV	414 57	+8.5	10.48	3.66 4.39	11.25		412.58			
2	Metals and Metal Forming (7)	483.51	+8.5	18.29	413	12.04	13.69	481.24	482.83		
.9		271.78		12.48	4.96	9.26					
ากเ	Other Industrial Materials (23)	11227 Rt		18.62	4.63	11.79	44.22	1315.54			
37	CONSUMER GROUP (187)	1039.87	10.2	9.83	3.91	12.78	27.98	1837.46	1336.83		
2	Brewers and Distillers (21)	1134.58	+0.7	18.87	3.69	11.52		1126.83	1125.47		
숧	Food Manufacturing (21)	927.45	10.4	9.53	4.07	13.27	26.17	124.37	924.40		
×	Food Manufacturing (21)Food Retailing (16)	1826.53	10.4	9.72	3.75	13.54	46.95	1819.42	1817.47	1824.40	
27	Health and Household (12)	1798.64	-83	7.49	2.81	15.32	49.69	1384.62			
29	(eisure (31)	11376.90	-01	8.65	3,74	14.81	35.66		1375.0	1386.63	1012.27
23 t	Dackasins & Paner (17)	1 535,391	+1.5	10.45	4.20	11.85	16.19	527.A7	529.69	528.11	447.7
32	Publishing & Printing (19)	133 (5.46)	+0.5	8.98	4.30	13.47	106.59	3329.76			
341	Stores (34)	J 718.47	10.2	11.83	4.77	11.11	23.22	716.51	717.13		
5	Text]les (16)	470.46	-0.9	14.71	5.95	8.14	18.17	474.87	473.A3	484.31	
inl	OTHER CR0(198 /92)	895.60	+8.6	11.51	4.62	. 18.40	24.69	870.69	845.65	871.96	
ii	Agencies (19)	1937.78	10.8	8.51	2.68	14.80	20.76	1929.20			
2	Chemicals (22)	I004.38	+8.Z	12.72	5.24	9.44	41.34	2002.69	996.57	1819.78	
3	Conglomerates (12)	.11265.51	+0.2	10.63	4.54	19.78	25.26	1263.58	1244.69	1246.99	
51.	Shipping and Transport (12)	77632~\ 2)	+8.6	11.80	4.96	11.06	62.48	1882.89		1991,46	
7	Telephone Networks (2)	794.75	+1.1	11.76	4.70	11.65	26.39	987.67	983.43	981.33	818.5
8		1186.22	+9.2	12.00	4.62	9.49	40.53	1113.41	1182.99	1194.98	
9	INCUSTRIAL GROUP (488)	948.75	+0.4	19.68	4.22	11,61	26.67	145,46	942.23	951.76	
1		1708.00		14.84	6.55	11.81				1720.23	
9	500 SHARE INDEX (500)	1013.38	+8.3	19,70	4.54	11.64	30.89	1909.92	1807.52	1017.14	
1	FINANCIAL GROUP (124)	689.53	+8.5	-	5.15		25,49	686.39	688.47	681.14	
2	Banks (8)	681.51	+8.6	29.59	6.33	6.51	31.13	677.25	647.43	667.76	
5	Insurance (1 ife) (8)	926.841	+8.3	<u> </u>	5.73		39.61	924.28	719.45	923.65	
6	Insurance (Composite) (7)	596.20	-03		6.18		24.64	587.42	595.95	505.24	
7	Insurance (Brokers) (7)	. 711.11	+8.6	. 7.62	7.18	13.00	45.87	905.54	325.67	992.12	
8	Merchant Banks (11)	326.10	-0.7	5.40	4.60	23.68	18.15	328.33	1266.18	328.33 1268.23	312.6
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UK COMPANY NEWS

Siebe lifts dividend 25% as interim profits grow

SIEBE, controls, engineering Colman, the US controls com-and safety equipment group, pany bought in October last and safety equipment group, yesterday unveiled a 35 per cent rise in pre-tax profit to £67.6m for the six months to September 30, from £50.1m, on turnover up 18 per ceut to

Shareholders receive a 25 per cent increase in their dividend, the interim being 3.375p (2.7p). Earnings rose 9 per cent to

21.7p (19.9p).
Following the announcement, the share price fell 5p to

376p. Siebe also announced that it had won approval for its £15.7m acquisition of 76 per cent of Gestra, a West German controls company, from the German Federal Cartel Office. Mr Barrie Stepbens, chief

executive, described the profits advance as "very positive" and predicted that satisfactory progress would be maintained. "We intend to continue our thrust to keep lean and skinny and mean," he said.

The figures were boosted by a contribution from Barber-

year. It increased its profits from £1.1m to £7.2m, after the elimination of overheads and non-profitable products and its integration into Slebe's worldvide control operations. Siebe cut its working capital

by £21m in the first half of the year by reducing its inventory and receivables. Mr Stephens said the squeeze on working capital would continue and the drop would total £50m for the full year. Job losses aggregated 750 since the year end.

The decline in the dollar knocked £4m off profits on translation. Gearing was reduced from 44.8 per cent to 40.6 per cent. The order book increased to £265m from £250m at the year end.

Tax charge fell to 36.2 per cent from 38.9 per cent follow-

ing lower overseas tax rates and tax losses in acquired com-The Gestra acquisition was

in consonance with Siebe's strategy of concentrating on its



Barrie Stephens: plans to keep company "lean and mean"

four core businesses, said Mr Stephens. The company, which makes specialised valves and actuators for heat and energy control purposes, has gross assets of £40.5m. Siebe has commitments for about 53 per cent of the shares in issue

Water stake changes hands

THE WATER Companies Association Pension Fund has sold a 5 per cent stake in Rick-mansworth Water Company to Compagnie Generale des Eaux, France's largest water snp-

plier.
The sale enabled the French group to yesterday declare a surprise 16.1 per cent stake in Rickmansworth, to the annoyance of SAUR Water Services, a rival supplier which has a 27.7 per cent holding in the company, Although the Water Compa-

nies Association, which represents the UK's 28 quoted statutory weter companies, bas broadly welcomed recent French investments in the sector, this is the first time it has appeared to favour one French water supplier over another.

Rickmansworth, which handles the water snpply for Heathrow Airport, said it welcomed the Generale des Eaux investment, made through its General Utilities subsidiary, and that it did not believe it was impossible to co-operate with two major investors.

But SAUR, a subsidiary of Bouygues, the French construction group said it was "disappointed and rather astonished" at the move. SAUR selected Rickmansworth in 1987 for its first investment in the statutory water company sector, through a joint venture with Trafalgar House, which

has since pulled out.

In October, SAUR sold stakes in Lee Valley and North Surrey to Generale des Eaux, precipitating bids for the two companies, but SAUR said yesterday it had no intention of selling out to its rival on this

Yesterday's announcement further complicates a web of agreements and investments in water companies bordering north west London.

Following a recent managemeut agreement, Rickmansworth shares a managing director with neighbouring Coine Valley Water Company,

in which SAUR has a 25 per cent stake and Generale des Eaux owns 28 per cent. Generale des Eaux controls e third company in the area, Lee Valley, following an agreed £41m bid.

• Generale des Eaux has now received acceptances of its agreed £41m bid for Lee Valley Water Company representing 78.9 per cent of the issued capi-

The French group also amounced that 69.2 per cent of the voting stock in North Surrey Water Company had been committed to its agreed £15.6m offer. Both bids were declared unconditional earlier this month and will remain open until further notice. until further notice.

until further notice.

Separately, the Department of Trade and Industry amounced yesterday that Generale des Eaux's bid for Lee Valley would not be referred to the Monopolies and Mergers Commission. The DTI has yet to rule on the North Surrey bid.

Oliver

increases

bid pressure

Oliver Resources, Dublin-based

oil and gas group, stepped up the pressure in its £8.35m bid for North West Exploration with a circular criticising the

target company's decision to dispose of its Glangevin gyp-sum deposit in County Cavan at a "giveaway price" - annual payment of £500,000 over 20

Oliver said the "ill-conceived

deal" was worth only £5m on a net present value basis, not the £15.7m in cumulative income which Belfast-based North West said it would receive from Sean Quinn (Quarries), a Northern Irish company.

The bidder also said it had the financial strength and management experience to

management experience to develop the mineral assets of the two companies, both of

Earnings per share were 1.81p (1.58p) and interim divi-dend 1.25p.

Warrants

to subscribe for shares of common stock of OHBAYASHI ROAD CONSTRUCTION CO., LTD. (the "Company") .

(Issued in conjunction with an Issue by the Company of U.S. \$25,000,000 1% per cent. Guaranteed Bonds 1992)

NOTICE IS HEREBY GIVEN, in accordance with clause 4 (E) (iii) of the Instrument by way of deed poll dated 22nd July, 1987 made by the Company in connection with its issue of bearer warrants ("Warrants") to subscribe up to ¥3.697,500,000 for shares of common stock of the Company that, subject to the appropriate resolutions being passed at the annual general meeting of the shareholders of the Company to be held on 16th December, 1988, the Company will change, with immediate effect from such date, its financial year-end from 30th September to 31st March. As a transitional measure, the company will have a six-month financial period from 1st October, 1988 until 31st March, 1989 and thereafter its financial year will be from 1st April until 31st March of each following year.

Accordingly, the record date for the payment by the Company of annual cash dividends will become 31st March in each year (starting

annual cash cavicanus was seen as a seen as a seen as the form 31st March, 1989).

The dividend accrual period will henceforth be the six-month period from 1st October, 1988 to 31st March, 1989 and thereafter each 12-month period ending on 31st March in each year. Except for the change in the dividend accrual period, the Terms and Condi of the Warrants shall remain unmodified and with respect to any annual cash dividend payable on the shares issued upon exercise of Warrants, such exercise shall be deemed to have taken effect at the beginning of the dividend accrual period in which it occurs.



OHBAYASHI ROAD CONSTRUCTION CO., LTD, By: The Toyo Trust and Banking Company, Limited as Principal Paying Agent

BANK OF IRELAND

BASE RATE

Bank of Ireland announces that with effect from close of business on 29 November 1988 its Base Rate is increased from 12.00 % to 13.00% p.a.



Area Office 36 Queen St London ECAR 1BN

Bowater in European packaging disposal

By Maggie Urry BOWATER INDUSTRIES, building materials, packaging and tissue paper group, has agreed to sell its corrugated packaging businesses in Belgium and France to SCA of Sweden, the major paper com-pany for £25m. The Belgian business, which has two plants, has over a fifth of the

Bowater decided to sell the businesses, which have annual sales of around £50m, because they were in the commodity end of the "brown box" mar-ket. The market for these is very competitive and it has proved difficult to pass on rises in paper costs to customers. Bowater's new manage-ment team has been taking a more critical look at its businesses with the sim of increas-ing margins across the busi-

SCA has been looking for acquisitions which give it greater vertical integration, and has been expanding its activities within the European Community. Early this year SCA acquired Peaudouce, the SCA acquired Peandouce, the leading French disposable nappy maker, and it has made packaging acquisitions, for instance in Italy.

Bowater's UK packaging activities have been the subject of substantial investment to increase the added value

element of packaging, and thus raise margins. For example, it is a major supplier of "pre-printed" corrugated boxes which have far superior print quality and can be used to dis-

play goods attractively Mr David Jones, finance director of Bowater Print and Packaging, said it would have taken significant investment to bring the Helgian and French businesses up to the level of the UK activities. He said they would fit better in a paper company.

Smurfit's £57m Spanish buy

JEFFERSON SMURFIT, the I£68m (£56.74m) cash purchase tomera company.

vate Spanish company produc-ing more than 100,000 metric tonnes of recycled paper each year from a plant in southern Spain and 40,000 tons of corragated cases from plants in Madrid, Barcelona and Valencia. Its pre-tax profits last year

were 128m. Smurfit said the purchase was in line with the group's aim of developing its place in the European paper and peckaging industry. Smurfit has recently made hig moves into the European paper and peckaging industry. the Spanish market and already has a fully-owned Spanish subsidiary, CartoEs-

Smurfit, one of the Irish Republic's largest companies and with major interests in the US, made pre-tax profits of F£109.2m in the six months to the end of July. -

By Kieran Cooke in Dublin

Onblin-based group which claims to be one of the largest paper packaging businesses in the world, has announced an of the Spanish Industrial Car-

ment

a leading European bloodstock insurance agency, with effect from January 3. Consideration will be satisfied via £225,000 cash, £205,000 in 10 per cent loan notes, repayable over two

DIVIDENDS ANNOUNCED Curre. Date of ponding for last

the two companies, both of											
which are quoted under the Stock Exchange's rule 535 (3).	DIVIDENDS ANNOUNCED										
On the basis of Oliver's share price of 18½p, its all-pa- per seven-for-two offer values		Curre.	Date of payment	Corres - ponding dividend	Total for year	Total last year					
North West at 64%p, against the market quotation of 48p.	Barlo Groupint	1.25	-		- -	-					
	Bessett FoodsInt	2.2	-	2.07	-	7.61					
As of last Friday, Oliver owned	Chemoxy intint	2.0	-	1.85	-	5.75					
or received acceptances for	Herdanger Propefin	15	-	9.855	22.5	14.595					
43.32 per cent of North West	HPC 5Int		Jan 18	-	-	-					
shares.	trish Wireint	1.54	Jan 4	nΠ	-	n/i					
	Kwik Sevefin	5.4	Jan 20	4.7	7.8	6.8					
	Mountview Estsint		-	1	-	8.5					
Barlo Group growth	Porter Chadburnint	0.812	April 7	0.25	-	1.05					
	Holfe & Nolan 5int	2.1	Jan 25	1.5	-	4					
Barlo Group, Irish	Rowlinson Secsint	0.24		0.22	-	0.9					
	Sharks & McEwanint	7	Dec 30	7	-	15.5					
manufacturer of central heat-	Slabeint	3.375†	Mar 31	2.7	-	8.78					
ing equipment, raised pre-tax	TSB Ch Islands \$fire	2.68	-	2.32	4.88	4.32					
profits from 12527,000 to	Vosper/Thornycftint	2.75	Jan 19	-	-	0.625					
IE704,000 (E587,600) on turnover of £13.1m (£12.21m) for half	Wyndham Groupint	1.5†	April	1	•	3					

Dividends shown pence per ahare net except where otherwise stated. "Equivalent after allowing for scrip issue. (On capital increased by rights and/or acquisition issues. SUSM stock. 55Unquoted atock. OThird market. To reduce disparity. Firsh currency.

Hardanger Property up to £7m

HARDANGER PROPERTIES, the Kidderminster, Worcester-shire-based specialist in prime retail property development, maintained its top performance rating yesterday with a rise of a third in pre-tax profits, to £7.04m for the year to Septem-

ber 30. Net assets rose from £21m to 531.7m, or 425p a share. Mr Derek Coombs, chairman, who founded the company in 1971 with Mr Nicholas Siviter, managing director, said yesterday that the board was projecting an increase in net assets to £47m next year, through £75m in 1989-90, to £100m three years from new.

from now. At the end of the run, this would produce net assets per share of over £13. Hardanger was quoted in the market at about 700p yesterday, a large premium on historic asset value, whereas other compa-nies in the developer/trader class have fallen back to a dis-count this year as interest rates have moved against them and their perceived exposure to floating rate debt. Mr Michael Connane of Pan-

mure Gordon, brokers to the company, commented last night that Hardanger's projec-tions for 1988-91 were merely extending its past performance: net assets per share growth of 50 per cent per annum compound over the past six years.
Mr Coombs and Mr Siviter

have effective control of the company with 40 per cent of the shares registered at last count. Mr Coombs said there was no question of the company being open to a bid, or of either of the founders selling his shares. Neither, he said, did

Hardanger intend to use its premium market rating to bid for any other company. Hardanger intended to "continue aggressively" in prime retail development, Mr Coombs said. "The notable strengthen-ing of the balance sheet in ing of the balance sheet in recent years is a continuing priority and a significantly larger proportion of our developments will be retained." Work had started on site at the company's Mulberry Tree Centre, 20-unit retail development in Stratford-upon-Avon.

Profits are not expected to rise at the same rate as net assets over the period of the forecast, but they are expected to improve consistently enough to support a policy of

enough to support a policy of increasing annual dividends. The final dividend for 1987-88 is raised to 150, making a total of 22.5p, up 50 per cent.

Building up a market presence

Philip Coggan on the advantages of the Norcros and Meyer swap

ARELY can a corporate deal have so suited the long-term strategies of Share price relative to the its protagonists as the swap of businesses between Norcros FT~A All-Share Index and Meyer International By acquiring UBM Meyer adds the extra tranche of merchanting branches which eluded it in October when Travis & Arnold opted for a rival offer from Sandell Perwith the sale of UBM and the addition of Crosby, Norcros is able further to concentrate

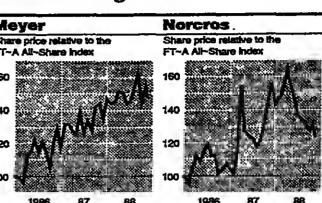
its activities as part of the restructuring in the wake of Williams' Holdings unsuccessful bid in 1987.

The addition of UBM to Meyer's Jewson chain increases the growing concen-tration in the once fragmented builders' merchanting sector. Size brings economies of scale in the form of greater purchas-ing power; it also brings brand recognition, e tendency fos-tered by Jewson's TV advertising campaign. Harrison & Crosfield, the chemicals & ing industry. For a group the size of Meyer, branding obvi-ously helps to see off the complantations group, recently rechristened its 137 ontlets

under the Harcros brand name, Although many builders' merchants dismiss the threat of the large DIY retailers, the so-called "sheds," Mr Michael Doherty, chief executive of Norcros, says they are a real challenge. The DIY groups offer credit terms and delivery

services which are difficult to match," he says.

The usual argument against the sheds is that the quality of customer service, in the form



of expert advice, is much lower than the average merchant. But Mr Doberty argues that many builders do not need expert advice to buy low-budget items such as screws.

Mr Doberty believes that
Norcros would have needed to have spent an awful lot of money to consolidate its posi-tion in the builders' merchant-

petition from the sheds.

It is hard to say, in turnover terms, which merchant was previously the biggest since several of the major chains are part of large industrial groups, which do not break down their

But it is clear that in branch numbers, Meyer was and is now easily the biggest group. After it has rationalised the UBM chain, it will have between 230 and 250 outlets,

in an arc around north Lon-den, in the Midlands, in central

Scotland and north Wales. The

group shifts more than 4m

tonnes of waste e year, giving it 6.2 per cent of the UK mar-

ket. In addition, methane gas

produced naturally in the land-fill sites is piped off for sale to London Brick to fire its kilns.

The landful gas business is in its early stages, but accord-ing to Mr Peter Runciman,

chairman, over the next three

years it will become a strong

compared with the 164 branches of the combined

Travis Perkins. Mr Oscar deVille, Meyer chairman, believes it will have about 13.5 per cent of the market.

However, Meyer's size in the builders' merchanting sector was restricting the potential of its Crosby building products manufacturing businesses. Many of Crosby's customers were Meyer's competitors.

The one remaining question for Meyer is what to do with its stake in Travis Perkins. Fol-

stake in Travis Perkins. Folstake in Travis Perkins. Following the defeat of its offer for Travis & Arnold, Meyer was left with a 20 per cent stake in the combined group. It said yesterday that it continued to regard the stake as a long-term investment, but now the beautiful HIMA a represent it has bought UBM a renewed bid for Travis Perkins would seem likely to provoke monopolies questions.
Norcros by taking over the

three waste collection and

landfill businesses in Scotland. The group was continually

seeking acquisitions. More

than 20 were being considered. Tax took £1.95m (£1.42m). An

extraordinary debit of £141,000

related to management reor-

ganisation and acquisition

Meyer International (Jewson) Trevis Perkins Harrison & Crosfield (Harcros) BTR (Grahame) Bowster (Crossley and Ferguson) 104 Norcros (UBM)

Crosby businesses, will enb-stantially increase its range of products.

The merger will create a division with annualised turn-over of \$250m. It is hard to rate Norcros's position in the building materials sector since so many companies concentrate on "heavy" products such as cement and bricks, but in its

own markets, Norcros says it is one of the higgest players. The disposal of UBM is the end of an unhappy chapter in Norcros's history. Acquired in 1985 after a bid battle, UBM has rarely fitted easily into the group; Williams Holdings in the course of its offer argued that UBM needed to be cautious about its expansion strat-

Once URM is sold. Norcros Once URM is sold, Norcros will effectively be reduced to three divisions - building products, printing and packaging, and property. Mr Doherty, who took over as chief executive earlier this year after his predecessor Mr Terry Simpason left after a heardroom row. left after a boardroom row, thinks that Norcros can use those three divisions as the base for expansion.

Shanks & McEwan rises 36% to £6.5m

By Floria Thompson

SHANKS & MCEWAN Group, waste disposal specialist, yes tarday reported a 36 per cent increase in pre-tax profits for the six months to September 24, from £4.78m to £6.51m. Turnover advanced by 41 per cent to £40,30m (£28,57m) and earnings per share rose to 21.9p (18.7p).

An unchanged interim dividend of 7p was declared.

The Glasgow-based group is by far the largest waste disposal concern in the UK, with more landfill capacity than all its competitors put together. This came about in the mid-1980s when it acquired from Hanson the landfill access to all of London Brick's sites and the rights to future sites.

contributor to profits. Mr Runciman said the results reflected excellent progress, especially as a number of acquisitions had been made during the period, including two landfill sites, five transfer Shanks & McEwan's sites are

stations (where rubbish is COMPANY NEWS IN BRIEF

BAKER HARRIS Saunders: years, and the issue of 329,268 EGM approved proposed acqui-sition of Richard Sykes & Part-

BET has acquired Hire-Wise, a privately-owned UK plant hire company, for £126,550 cash and £317,350 in shares. Hire-Wise's main business is involved in selling, hiring, repairing and maintaining plant and equip-

BRITISH BLOODSTOCK Agency has reached agreement for the acquisition of Pegasus,

new ordinaries over a two-year

FLOYD ENERGY has com-

pleted the acquisition of Mech-Tool Eng for a maximum of 22m. Initial consideration is £500,000 cash, with a further £500,000 in cash after one year. A third payment, up to £1m, is related to profits to December 31 1991. Mech-Tool incurred a £20,000 pre-tax loss in the year to April 30 1988 on turnover of £31.27m.

The Hansou agreement was the deal of a lifetime for Shanks & McEwan, no one can ever catch it up now. It has 60 years worth of holes in the ground at a time when fewer quarries are being started, that is : fewer future holes, and prospective p/e of 22. The rat- closed yesterday.

O COMMENT

taken to be compacted before ing is full, but Shanks & McEremoval to landfill sites), and wan's assets are worth more than the share price and the company is still at the beginning of a very steep rise in earnings. It is not just the number, but the location of its sites. By 1992 it could have 70 per cent of all landfill sites in the range of north London. The company is well managed, it steers clear of contentious foreign waste and worrying toxic waste, and, as Mrs Thatcher becomes greener, tighter legis-lation will eliminate some of

landii

granden.

19

the cowboys, moving even more business its way. BTS acceptances

Holders of only 0.11 per cent of being created. Analysts are forecasting £13.5m for the full year, putting the shares, 8p down at 992p last night, on a ates of 65p per share before it

BOARD MEETINGS

The following companies have notified dates of load meetings to the Stock Epchange. Such meetings are usually head for the purpose of considering dividends. Official indications are not available as to whether the dividends are interins or finals and the subdividend are interins or finals and the subdividend shown before are based mainly on last year? 197/neablets. TODAY



This announcement appears as a matter of record only

BP International Limited

Lease Financing of

BP Chemicals Limited

Linear Low Density Polyethylene Plant, Grangemouth

Lessor

A Subsidiary of



THE NWS GROUP A MEMBER OF THE BANK OF SCOTLAND GROUP

The undersigned initiated, structured and arranged this transaction

BP Finance International

IBOS Finance Limited (PART OF THE NWS GROUP)

September 1988

UK COMPANY NEWS

Minehunter contract with Saudi Arabia will provide up to five years' work

Vosper Thornycroft falls but prospects good

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VOSPER THORNYCROFT, whose prospects as a warship builder improved sharply earlier this month when it signed a £300m contract with Saudi Arabia, incurred a decline in pre-tax profits during the six months to October 2.

The Sonthampton-based group returned a pre-tax profit of £43m compared with £7.9m in the six months to September 27 1987, which included an exceptional item of 22.7m.

Vosper, formerly part of British Shipbuiders before floating on the market in March, made the 22.7m provision last year to cover expected difficulties which were negated by a leave which were negated by a large Royal Navy contract.

County NatWest, a participant in the placement of just under 26 per cent of the equity, yesterday sold about one-third of its holding.

The venture capital arm of County Natification of County Natification.

County NatWest and Wren Investments each took up 149 per cent stakes in the the Vosper float. The 5 per cent stake

sold yesterday went through the market at 192p, compared with the closing price of 197p, down 4p. The stake was acquired at 160p a share and was sold to 20 institutional clients of Panmure Gordon, the London stockbroker.

Mr Peter Usher, managing director, said he was confident about the ontlook for the remainder of the of the year and explained the decline in past six months as being due to the lumpy nature of returns in the industry.

"Things are going entirely to plan and to budget and it is going to be a good year for us,"

The company is paying a maiden interim dividend of 2.75p a share and the pre-tax profit represents earnings per share of 9.2p, against 12p, adjusted for the exceptional

The Saudi contract boosted the company's order book from £200m to £500m and will pro-vide between four and fiva



Peter Usher: "It is going to be a good year for us"

The contract with Saudi Arabia is for six specialised Sandown class minebunting vessels which was signed as part of a \$10bn arms agreement between Britain and Saudi

book is filled with the Royal Navy contract for the construction of four Sandown class ves-

Mr Usher said that one-third of pre-tax profits and turnover was derived from non-ship-building activities, including computerised land and sea naval equipment.

The company is negotiating the acquisition of bolt-on companies to strengthen this end of the group activities, follow-ing the purchase of a controlling interest in JB Microsys-

• COMMENT

These results were in line with rpectations and give rise to little excitement. Howaver, after consideration of Vosper's prospects anthusiasm for the future could be justified. The Saudi contract provides the company with a solid order book until 1995 with the full

come to account in 1993-94. During the intervening years, there should be a progressive strengthening in returns from this contract as well as the contract with a the Royal Navy. The company is increas-ing capital expenditure by £3.5m and is taking on between 200-300 people to accommodate the contracts. This should throw off course the company's intention of boosting non-ship-building activities to the point where they represent 50 per cent of turnover and pre-tax profits. Non-core acquisitions are under negotiation with the

purchase of a publicly listed group a possibility, despite external reservations on the grounds that Vosper should continue doing what it does best: build warships. Forecasts on pre-tax profits for the full year average out at £9.7m, plac-ing the shares on a prospective p/e of 9.9 - reasonable given that the results will not reflect the benefits of the Saudi deal.

Simon expands with £5m purchase in Australia

By Clay Harris

SIMON ENGINEERING, diversified process plant con-tractor, is to pay A\$9.75m (£4.63m) in cash for the access business and related property of Abbey Equipment of Austra-

The acquisition will increase Simon's global sales of access equipment to about £120m, more than one-fifth of the group total. Simon, which already manufactures access equipment in the UK, Ireland and the US, plans to use Australia as a base for expansion into south-east Asia.

Abbey is the leading Austra-

lian maker of truck-mounted hydraulic access platforms. Many of its products feature insulated booms, which allow work to be undertaken on live

TR hires Phoenix Secs as adviser

A number of these, however, have been victims of corporate activity recently and earlier this summer TR brought in Liberty Mutual, a US insurance company; as the first external shareholder with 15 per

Next sells Eurocamp holiday side to managers for £32m

By Maggle Urry

NEXT, the high street retailing group, is selling Eurocamp Travel, its holiday business, to a management buy-out for a total of £31.8m. Eurocamp was acquired in June last year as part of the purchase of Com-bined English Stores.

The company has made a number of sales recently following a decision to concentrate on its core businesses and to raise cash to reduce its level of debt.

It has sold its Salisburys and Zeles chains to Ratners for a total of £150.8m, and its Allens chemist chain to Lloyds Chemists for £29m.

In total about £220m has been raised compared to a pur-chase price for CES of £330m. Gearing is now down to

around 40 per cent.

The management of Eurocamp approached Next about a bny-ont in September and received the go-ahead. In October an outside buyer appeared and Next asked the management to match the other buyer's price and timing. As buyer's price and timing. As part of the purchase priceNext is taking a £5m loan note.

Barclays Development Capital has arranged the buy-out, underwriting £15m of capital. A further £15m of mezzanine finance has been underwritten by Barclays de Zoete Wedd, the securities house, and 3i, the small business finance group. The price consists of £25.3m for the business and £6.5m as the repayment of inter-company debt.

Eurocamp, which also trades under the names Sunsites and Carefree, provides camping and caravan holidays, mainly in France, for self-drive holi-

This summer it sold holidays to 160,000 people and sales were £30m. This was a rise on the previous summer. In the year ended January 1988 the holiday division of Next made an operating profit of £2.8m and had net assets of £3.9m.

Next is also selling Timsway, a villa holiday company, to its founder for a nominal

Bassett advances 14% to £2.4m and sees more growth

By Lisa Wood

BASSETT FOODS, the Liquorice Allsorts manufac-turer which recently hought Jamesons Chocolates, yester day reported a pre-tax profit of £2.4m for the 28 weeks to October 14, a 14 per cent increase on the corresponding period last year.

The results were in line with markat forecasts and the group's share price closed

unchanged at 286p.
Earnings per share were
13.04p (11.76p) and the interim dividend was lifted 6 per cent

to 2.2p (2.07p).
Mr "Bev" Stokes, chairman and chief executive of Bassett, said the group had continued to trade solidly and the satisfactory performance of each subsidiary should continue into the second half of the

Group sales, at £49.3m com-pared with £44.5m last year, included £1.6m from Frisia, a Dutch manufacturer of marshmallows acquired this year. Bassett's trading profits were £3.03m (£2.52m).

Anglo Bellamy Wilkinson, which produces much of Bas-sett's children's sweets, contributed £398,000 to trading profits, slightly down on last year. There were problems with Middle East sales of sugar confectionery sourced from ABW. There had also been disruption at the plant where a new factory is being built to manufacture Nerds, already distributed by Bassett, under license from Sunmark of the US. However Mr Stokes said that the plant had done well.

He said that Geo. Bassett had performed well with UK sales of Liquorice Allsorts increasing by 19 per cent and Ernest Jackson, which makes medicated sweets, was improv-ing, with the benefits of site

Bassett Share price (pence) 240 220 200 180

improvements and capital vestment already evident. While sales volumes through Bassett Foods International — which handles exports — were slightly down, Mr Stokes said the group was investing in the European market

87

Faam, the Dutch subsidiary, continued to perform well.

O COMMENT

1986

140

Bassett, with around 11 per cent of the UK sugar confectionery market, is emerging as a tidy husiness with a much improved profit performance. Subsidiaries are responding to demands for them to be more profit-conscious while the strategy of relaunching popular key brands such as Liquorice Allsorts is keeping vol-umes moving in a static marketplace. New brands such as Nerds, which Bassett will start manufacturing in March, should be winners. Exports are still more problematic hnt operations are coming around. Analysts expect some dilution from Jamesons and are fore-casting pre-tax profits of £4.7m for the full year, giving a prospective p/e of 11.7.

Vaux buys nursing homes

Vaux Group has acquired Summerfields Care, which owns four nursing homes and has sites for a further three, all in the Liverpool area, for

The consideration is being funded by the issue of new Vaux ordinary shares. The vendors are retaining shares worth £2.5m and the rest are being placed. The proceeds of the placing will be used to repay debts of Summerfields, finance the construction of the three nursing homes and £400,000 is being paid to the

Irish Wire bids for Questel

IRISH WIRE Products, ick-based company reported acquisitive household products group, yesterday announced its largest deal since taking on a new lease of life 16 months ago under the impetus of Mr Dennis Jones, finance director of Hazelwood Foods. It has launched an agreed

£11.6m bid for Questel, telecommunications equipment supplier. Victory is secure as shareholders with 58 per cent of the equity have committed themselves to accepting the

At the same time, the Limer-

pre-tax profits np from 16563,000 to 121.55m (21.29m) in the six months to September 30, and earnings per share up from 5.6p to 8.4p. Sales jumped from £2.9m to £13.01m.

An interim of 1.5p is declared – the first payont since 1979 – and the company has forecast 4p for the full

Irish Wire said that the ratio-nale for the acquisition was to take the company into telecommuications, the growth of which could be stimulated by

cash generated from the company's existing interests in household and industrial products and printing and packaging. In 1987, Questel made pre-tax profits of £1.42m on turnover of

24.6m. The terms of the offer are one new Irish Wire share for each Questel share, involving a 32 per cent increase in the Irish company's equity.
Irish Wire is also proposing
to buy Reprocentre Group, a supplier of printing materials and equipment, for an initial payment of £7.05m.

Wassall makes agreed bid for Hille

to the transfer board, that

By Philip Coggan

WASSALL, mini-conglomerate being built- earlier acquisition of Evertaut, up by former Hanson execu-tives, yesterday made its sec-ond acquisition in the office furniture sector with an agreed. 27.9m offer for Hille Ergonom.
The purchase of Hille, which imports and manufactures

a - desks and chairs, follows the

an office seating group.

The terms of the offer are one Wassall share for every three in Hille, Based on Wassall's closing price of 210p, that values each Hille share at 70p. There is a cash alternative of

72p per share, and a loan note alternative, up to a maximum of £4,25m, at 75p per

Hille's pre-tax profits fell from £962,000 in the year to March 31, 1986 to £704,000 the following year. Last year, pre-

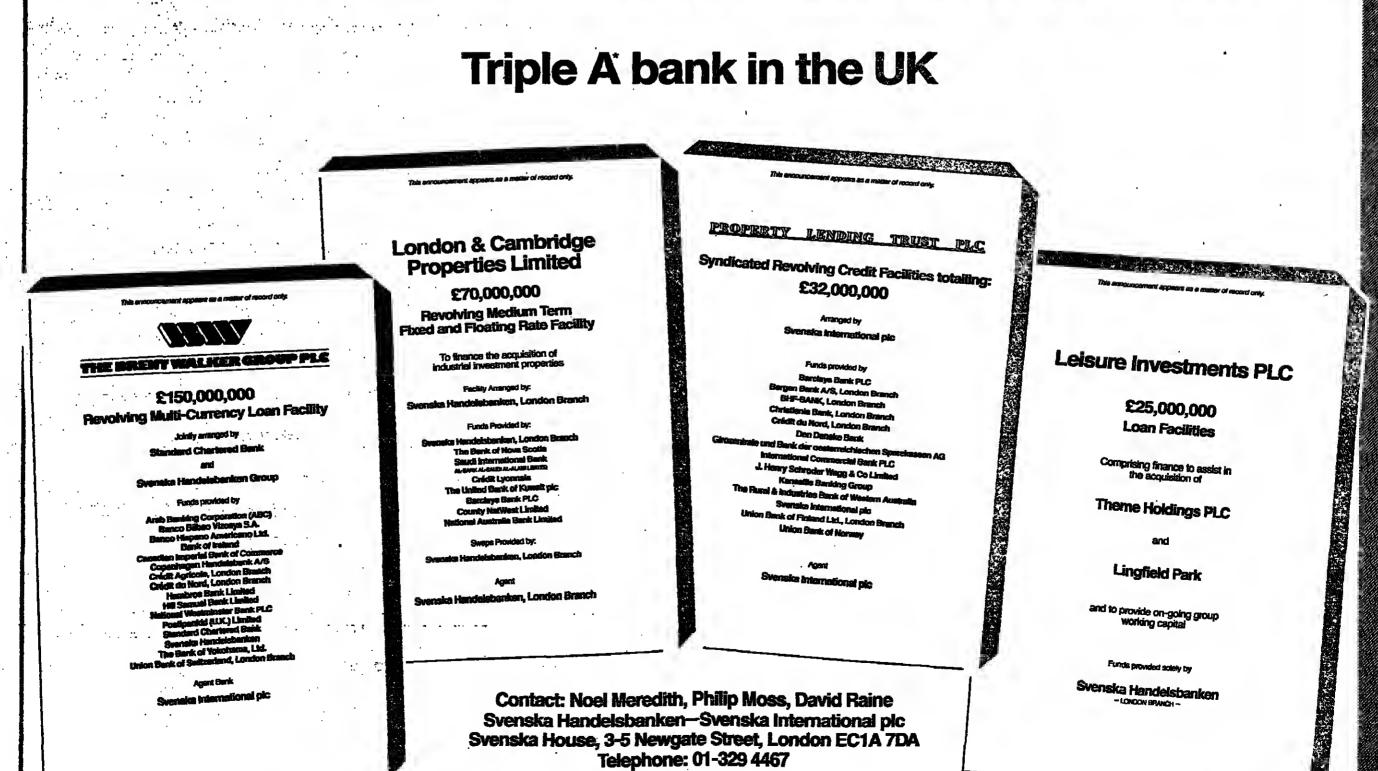
By Nikki Tait

REMNANT, privately-owned fund management group, has confirmed that it had asked Phoenix Securities, the Morgan Grenfell

subsidiary, to advise on its shareholding structure. In the past, Touche has been owned solely by the invest-ment trusts which it manages.

Since then, TR Industrial and General – the largest TRmanaged trust and, histori-cally, the higgest single share-holder in Touche Remnant itself – has been subject to a £560m successful bid from the British Coal Pension Funds.

SVENSKA HANDELSBANKEN GROUP



Porter

Chadburn

Second half volume growth helps Kwik Save rise 18% to £55.18m

KWIK SAVE Group, the food retailer which claims to sell branded products at a 5 to 10 per cent discount to the chea-pest superstores, increased pre-tax profits by 18 per cent to 255.18m in the year to August 27, compared with £46.61m last

Turnover rose 13 per cent to 2974.09m (£862.03m), with existing stores sales growing by 7.4 per cent, and new stores adding 3.1 per cent, Earnings per share rose to 23.31p (19.95p) and a final dividend of 5.4p

makes 7.8p (6.8p) for the year. Kwik Save is 25 per centowned by Dairy Farm Interna-tional, Hong Kong-based food retailing, manufacturing and wholesaling group, which will have the option to make a gen-eral offer for the UK company

During the year, Kwik Save increased its selling area by 8 per cent, compared with a target of 12 per cent, to a total of just under 3.25m sq ft. The group now operates 567 supermarkets with an average sales

Union Square

Union Square, residential and commercial estate agent and

consultant quoted on the USM, increased its turnover from £1.46m to £7.62m for the six

months ended September 30

and for the period saw its prof-

its surge from £648,000 to

Mr David Thompson, chair-

nan, said an important contri

bution to group earnings came from the commercial estate

agency activities of Anthony

Green and Spencer, a company acquired earlier this year.

Half year earnings pushed ahead to 2p (0.85p) and the interim dividend is being

stepped np from 0.3125p to 0.4p.

SW Resources loss

Southwest Resources made

turnover of £1.42m in the half

year ended September 30 1988, against £2m last time, and loss

before tax was £389,000 (profit

£282,000). Loss per share 0.75p

Financial Times

F.T.-Actuaries

600 Share . Financial Group ...

FT-SE 100 .

Industrial Group

SEAO Bargains (6 p.m.)

(earnings 0.54p).

hits £1.84m

area of 6,000 sq ft. Capital expenditure declined

from £33.6m to £25.9m in the period, with spending on prop-erty coming down from £20.1m to £13.7m, because of increased demand for building work and consequent delays in starting new projects.

The group said it eventually aimed to open 100 new stores within the M25 ring, where it currently operates 18 stores and is under-represented compared with the major chains.

Spending on plant and equipment declined to £12.2m (£13.5m), although this included £1m for scanning equipment, which reads bar codes automatically.

Mr Ian Howe, chairman, said scanning would allow the company greater flexibility in the choice of products which could be offered in individual stores, although he added that Kwik Save did not intend to move away from its traditional policy of stocking a limited assortment of products.



Ian Howe - retaining traditional retailing policy.

Rental income during the year increased to £9m (£7.5m) but Mr Howe said this was more than offset by the impact of rent increases. Kwik Save is continuing to buy freehold properties in an attempt to reduce the adverse effects of

• COMMENT

Last year's industrial dispute disrupted Kwik Save's interim figures, and the full-year results were slightly flattered by comparison with the 1986-87 results. That said, volume growth in the second half was extremely creditable, especially when set against other retail-ers' difficulties, and has apparently continued in the first half ently continued in the first half of 1988-89. The policy of stocking small High Street stores with a limited range of the most popular products continues to pay off. However, new investors will be more likely to look at Dairy Farm's likely intentions before buying Kwik Save charge which rose 3n to Save shares, which rose 3p to 360p yesterday. If one believes a bid at the original tender price of 450p a share will be tabled next April then they are clearly good value. Otherwise, based on forecasts of about £66m for 1988-89, the shares look somewhat expensive on a prospective multiple of about

trebles to £1.73m midterm By Fiona Thompson

PORTER CHADBURN, consumer products and distri-bution company, yesterday reported almost trebled half

year profits.

The pre-tax advance from £581,000 to £1.78m for the six months to September 30 1968 was made on turnover up 58 per cent at £27.71m (£17.4m). Earnings per share rose from 1.33p to 3.5p and an interim dividend of 0.6p

(0.25p) is declared. Since chairman and chief executive Mr Ray Dinkin took over 18 months ago the group has established three divisions specialist distribution, man-

ufacturing and packaging, and consumer products. There are two companies in the specialist distribution divi-sion, LDH, distributing fur-nishing fabrics, and CPT, dis-tributing finishing equipment for the garment and textile industries. On the consumer products side Tasco distributes sports equipment and leisure products, and Hi-Line distrib-utes fishing tackle.

The two companies in the manufacturing and packaging division are PC Plastics, maker of hags and flame retar-dant covers, and PC Engineer-ing, specialising in vending machines, power transmission and lifting equipment, brew-ery equipment, and water treatment products.

"Organic growth in our existing businesses was excel-lent," said Mr Dinkin, and the LDH and Hi-Line businesses acquired earlier this year per-formed well. Because of the timing of some of the pur-chases, full contributions would only be seen in the sec-ond half, so these first half figures "are not likely to be indicative of the full year per-

formance," he said.

The engineering and plastics companies, both of which had problems last year, were recovering strongly, he said. The group will continue to look for acquisitions, "but we

won't be paying silly prices. Our organic growth is so strong that we've become more stringent about acquisi-

Rugby £34m Australian buy

By Andrew Taylor, Construction Correspondent

RUGBY GROUP, the British cement company which has been steadily diversifying into other building materials is poised to increase its Australian interests by purchasing Stegbar, timber and aluminium windows and doors group, for A\$72m (£34m).

Rugby said yesterday that agreement had been reached for the purchase from ACI (International), subsidiary of BTR Nylex. The deal, payable in cash, is

subject to approval by the Australian Foreign Investment Review Board. Rugby, which increased pre

tax profits by 42 per cent to £31.5m in the six months to the end of June, already owns cement and joinery interests in Australia. In July it bought Baltic Industries, a small man-ufacturer of wooden doors, for

Mr Andrew Teare, Rugby's managing director, said Steg-bar was Australia's leading

manufacturer of quality timber windows. It also commanded a substantial share of the aluminium window and door market, as well as owning Australia's largest built-in wardrobe and showerscreen business,

Stegbar, which has 10 manu-Steghar, which has 10 mann-facturing plants and 38 shops and showrooms, would have contributed pre-tax profits of A\$8.5m and sales of A\$100m if it had been owned by Rugby for the whole of this year, said Mr Teare.

Wyndham advances to £0.5m

Cardiff-based engineering, property, motor distribution and financial services group, yesterday unveiled taxable profits sharply higher st £501,000 for the six months to end September.

The advance from £225,000 was posted on turnover up £8.1m to £12.75m. Mr Brian

MONTHLY AVERAGES OF STOCK INDICES

1493.3 172.4

979.26

1842.9

97.25

1478.1

175.1

24,100

969,40

688.61 948.82

1818.0

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Munich, Stuttgart).

86.99 95.87

1429.2 175.3

1773.8

Nov. Low

1452.5(14th)

926.87(28th 1781.6(28th

the group's BMW and Honda franchises accounted for a "substantial" proportion of

Wyndham has revealed that it has acquired a 5.04 per cent stake in fellow motor dealer William Jacks. Mr Brownhill said that the group regarded the stake as "an investment"

97.43 1474.3 195.1 23,171

974.10

1044.04 698.30 954.36

1830.2

and would be willing to A hostile hid for Jacks would be impossible since it is 57 per cent owned by Johan Holdings, the Malaysian group. However, Mr Brownhill said he might be interested in a takeover if Johan wanted to sell its stake. The interim dividend is lifted

to 1.5p (1p). **Downturn for ICD**

Communication and Data, a restructured Third Market company formerly known as Publishing Holdings, returned profits of £20,000 pre-tax for the half year ended August 31.

That compared with a restated £225,000 for the corresponding period of the previous year.

An extraordinary item of 2566,000, relating to profit on

INTERNATIONAL the disposal of various trading divisions less the cost of cessa tion of those divisions, left the company with a profit of £686,000 (£197,000).

During the half year ICD totally withdrew from tradi-tional publishing with the dis-posal of its financial magazines

The company finished the 1987-88 year with a bottom line loss of £560,000.

BOM losses little changed

Reorganised BOM Holdings, formerly Bristol Oil & Minerof the reorganisation had affected the results but they were confident that the meaals, incurred pre-tax losses of £514,000 for the six months sures taken would enhance

£514,000 for the six months ended July 31, little changed on last time's £507,000.

During the period the retailing business was reorganised into two distinct trading divisions, Just Leather and Roselodge Kitchens.

The directors said the costs

HPC progresses

Rowlinson soars

HPC Group, maker of polythene film products and distributor of protective clothing, increased pre-tax profits by 10 per cent, from £366,000 to £401,000 in the half year ended Senomber 30 1988.

Sepander 30 1988. The results are the first since flotation on the USM in May. The interim dividend is 1p, as promised.

Turnover rose 55 per cent to 10 feet to 10 f

£4.5m. A significant proportion came from the first time inclu-

Profits and write-offs which arose from continued rational-

isation of the "old BOM" prob-lems and which amounted to £186,000 were taken below the

Rowlinson Securities, property investment, development and building construction concern, saw pre-tax profits leap from 2641,000 to £1.63m in the six months to the end of September. ber. The substantial rise in prof-

its was mainly due to property trading, the company said. Turnover trebled to £9.54m (£2.91m) and, after tax of £569,000 (£224,000), earnings per 10p Share advanced to 8.45p (3.34p). The interim dividend is lifted to 0.24p (0.22p).

1.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W OBD Tel: 01-828 7233/5699 Resiters Code: IGIN, IGIO

FT 30 FTSE 100 WALL STREET
Dec. 1465/1474 -2 Dec. 1801/1811 -1 Dec. 2100/2112 +6
Mar. 1476/1485 -5 Mar. 1818/1828 N/C Mar. 2120/2132 +6 Prices taken at 5pm and change is from previous close at 9pm

PUBLIC WORKS LOAN BOARD RATES

1218 1112 1113 111 11 1078 1078 978 978 978 12% 12% 12 % 11 % 11 % 11 % 10 % 10 % 11 Over 15 up to 15

*Non-quota loans 8 are 1 per cent higher in each case than non-quota loans A. Equal instalments of principal. If Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Institutional shareholders back Aurora board over ANI offer

valued the company at £138.1m and was rejected principally because Aurora claimed it

failed to recognise the com-

pany's present and future

The Australian company, in reply, said that it was offering a fair price and had taken into

consideration a forecast of a 40 per cent improvement in

annual pre-tax profits before making the offer.

ANI has been barred from buying further shares until next Tnesday by Takeover

However, there is the possi-bility that ANI will enter the

able at below the offer price to

Panel rules.

By Ray Bashford

THE TWO biggest institutional shareholders in Aurora, Sheffield-based engineering company, have given the board their backing as shots continue to fly in the takeover fight with Australian National

M&G and Investors in Industry (3i), which together hold 22.9 per cent of the capital, have expressed their support as the board has again rejected the offer from Australia's biggest engineering group.

ANI bas 41 per cent of Aurora, having earlier this month acquired a 19 per cent stake from Electra, formerly the largest institutionalholder.

The offer, 148.5p per share,

TMD Advertising turns

in 38% rise to £1.22m TMD Advertising Holdings lifted turnover 31 per cent and pre-tax profit 38 per cent in 1986/87, in what Mr David Reich, chairman, said was a

wery special year.

Mr Reich said growth came organically from existing clients as well as some considerable new business gains. Horizons Media Group (49 per cent owned) and the wholly owned TMD Manchester made small contributions, and he was

looking to the first full year of their involvement, in 1989. This specialist media group, quoted on the USM, made turn-

quoted on the USM, made turn-over of £67m (£51m) and pre-tax profit of £1.22m (£885,000) in the year ended August 31 1988. Earnings were 13.7p (10.2p) and the dividend is raised to 3p (2.4p). Mr Reich said the current year had started well. In the period the Yershon Group had been acquired.

Chemoxy rises to £0.5m

CHEMOXY International, Teesside-based processor of speciality chemicals, more than doubled pre-tax profits from £237,000 to £514,000 in the six months to the end of Sep-

Turnover was up 71 per cent at £5.68m (£3.31m) and, after an increased tax charge of £180,000 (£83.000), earnings per 10p share were also more than doubled at 11.6p (5.69p). There is no extraordinary profit this time. There is no extraordinary profit this time. Last year's interim result included an

extraordinary profit after expenses of £194,000. The interim dividend is raised to 2.6p (1.85p).

Mr Andrew Reynolds, said that the results derived from a general increase in demand for the company's contract chemical manufacturing services, earlier investment in new plant and better margins. All these factors were helped by the strength of the chemical sector. He added that business was continuing at a high level in the second half.

they hoped to be able to recom-mend a larger dividend for the year. Last year, the group paid a single dividend of 0.5p.

Northern American

NAV rises to 474.4p

Northern American Trust reported net asset value higher at 474.4p at October St. This compared with the 445.1p reported a year earlier.

Net revenue for the year to the end of October was £2.39m

(£1.88m) and earnings per share worked through at 6.98p (5.46p).

The directors are proposing a final dividend of 4.85p (4p) for a total for the year of 6.25p

open for the company to monoup outstanding holdings. In rejecting the offer Sir John Hill, Aurora chairman said: "ANI are trying to persuade shareholders that Aurora's potential is not there; if that is the case, why is ANI so envious to account the comso anxious to acquire the com-**Blue Circle** links with

lift the holding above 50 per

Aurora shares have traded

below the offer price since the bid was announced and yester-

day closed Ip up at 146p.
M&G and 31 are unlikely to
remain as minority shareholders if ANI moves into the market to boost its holding above

.50 per cent, leaving the way

Swiss group By Andrew Taylor

BLUE CIRCLE, Britain's biggest cement manufacturer. has merged its calcium carbonate fillers and additives business with Croxton & Garry, a subsidiary of Phas-Stauler of Switzerland. Plass-Stauler is one of the

world's largest manufacturers of calcium carbonate addi-tives, which are used in the manufacture of paper, plastic and paint.

The joint venture will be owned equally by Blue Circle and Plüss-Staufer and is forecast to have joint sales approaching £50m in 1989. The two companies earned combined profits of about £2.5m in

 Birmid Qualcast, now a

Blue Circle subsidiary, raised its stake in Ransomes Sims & Jefferies, another lawnmower maker, to 9.23 per cent. Mr Robert Dodsworth, RSJ chief executive, described the stake as unwelcome and said: "We do not see it as an advantage to belong to a cement manu-facturer."

London Securities ahead

LONDON Securities, property the group's shareholding in and venture capital group, Merchant Manufactory Estate unveiled a 79 per cent expansion to £1.14m in taxable profits for the six months to Sep-

Directors said the main contribution to the improvement resulted from the disposal of

Rolfe & Nolan advances to £350,000

Profits of Rolfe & Nolan Computer Services improved from £232,000 to £350,000 pre-tax for the half year ended August 31. Turnover moved shead to £1.89m compared with

Earnings amounted to 8.1p (5.3p) and the interim dividend is being lifted to 2.1p (1.5p). The company's shares are traded on the USM. The directors said that

despite the anticipation of fairly static revenues in the second half they expected prof-its for the period to show an

TSB CI profits rise to £7.3m

TSB Channel Islands, the USM-quoted banking, financial and related services concern, raised pre-tax profits by 20 per cent from 55.06m to 57.3m for the year ended October 31 1968. Total income grew 23 per cent to £13.44m, including a

surplus on disposal of invest-ments of £1.38m (£954,000). The tax charge was £1.31m (£1.38m) and earnings per share advanced from 16.4p to 19.98p.

advanced from 16.4p to 19.98p.

The directors have recommended a final dividend of 2.68p (2.32p) making a total of 4.88p (4.32p) for the year.

Retail customer deposits increased by £47.5m in the year, a 22 per cent growth.

Advances to customers rose by 78 per cent to £77.8m and investment in commercial lending services was now producing the anticipated growth. anding services was now indu-ucing the anticipated growth. Mortgage advances grew by 72 per cent and treasury depos-its doubled.

Guif Canada Resources Limited U.S. \$375,000,000

Note Issuance Facility Noteholders are hereby notified that the applicable Rate of interest and the interest Amount in relation to the interest Period 2nd December 1988 to 2nd February 1989 is as follows: 1. Rate of interest: \$ 1/4%

2. Interest Amount per US\$500,000 Note: US\$7,965.2 The interest Payment Date will be: 2nd February 1969 Bank of America

International Limited

Mountview Estates 36% up at £6.4m Earnings per 15p share rose to 1.9p (1.2p). Directors said

pronts Mountview Estates, property dealing group, rose nearly 36 per cent, but the current six months cannot be expected to show the same rate of

In the period to September 30 1988 turnover increased 32 per cent to £8.16m and the

pre-tax profit came through st £8.42m (£4.73m). Earnings were 90.2p (62.9p) and the interim dividend is doubled to 2p to reduce dispar-ity with the final - 7.5p last

The directors said since Sep-tember the rise in interest rates and limitations on mortgage relief had undoubtedly slowed down the rate of increase in house prices and reduced the speed with which sales were being completed.

This amountement appears as a matter of record only. November 1988



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REFURBISHMENT

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10th January 1989

For a full editorial synopsis and advertisement details, please contact:

Penny Scott on 01-248 8000 ext 3389

or write to her at:

Bracken House 10 Cannon Street London EC4P 4BY

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MANAGEMENT: Marketing and Advertising

egislation has radically changed the UK building society market in the past two years. While defending their traditional mortgage business, the societies have joined battle with other financial institutions over a widening range of services from credit cards to current accounts, from insurance to estate agencies.

How have the societies

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responded to these growing competitive pressures? Very effectively, it seems, if judged by the winners of the industry's first marketing awards, sponsored by The Building Societies' Gazette and Thomas Cook Travellers Cheques. The Alliance and Leicester

came out best of the big societies with a television advertising campaign which had already taken an IPA advertising effectiveness award. The fifth largest society in

the country since it was formed from the merger of two societies in 1985, the Alliance and Lelcester's market research in 1987 showed that only 54 per cent of adults were aware of it—less than the pre-merger levels for the bigger society, the Alliance, and well below that of the Halifax and Abber National Abbey National

With the primary aim of reversing this trend, the soci-ety launched its national television campaign in September and November last year. The commercials, created by BMP Davidson Pearce, and featuring comedians Stephen Fry and Hugh Laurie, were seen as a long-term brand-building exer-

"You get a smarter investor with the Alliance and Leicester" was the message - and it was repeated in a second burst. of advertising in February-April this year. The effect, within seven months, was to raise the awareness level to 70 per cent. A third campaign, focused on the society's Cash-Plus account and running now. is giving a further boost to the

Alliance and Leicester name. "The impact has been considerable," says John Day, assistant general manager (marketing). "It has estab-lished our position in the mar-ket." But the advertising on which the Alliance and Leicester has spent £9m in the 12 mouths ended in September, has done more than that

The society's financial results for the year, due to be published shortly, are expected to show receipts up by more than 70 per cent and mortgage loans hy 60 per cent. Much of this business growth is ascribed directly to the adver-



Comedians Hugh Laurie (left) and Stephen Fry: raising awareness of Alliance and Leicester

Rewarding image for building societies

Philip Rawstorne reports on marketing successes in the recently liberalised and increasingly competitive UK financial sector

estimates that the campaign has been responsible for 23 per cent additional net receipts. That alone means that the campaign has already almost paid for itself, with the prospect of generating more profits

over the next two years. In addition to supporting the television commercials with advertisements in hoth national and local newspapers, Day intends to develop the society's radio advertising next year, using more Fry and Lau-rie commercials. "We have not spent much on radio yet," he says. "But the results have been very encouraging."

Direct marketing to the society's customer base of around 2.5m people will also be increased. "Building societies did not have to cross-sell before," says Day. "Most of our lenders are over 45 years old, and most of our borrowers are under 45. Previously we had two separate markets to address. Now we have products that will interest all our customers, our direct marketing is rapidly increasing in impor-tance. But it will have to be handled carefully. We do not want to upset the relationship

and the second of the second o

But if the Alliance and

Leicester campaign has made one of the bigger splashes in the market, the awards recognised that some of the smaller fish in the industry are proving equally adept at dealing with the competitive pressures.

The main award went to the Skipton Building Society, 18th in the industry rankings with 180,000 investors and 50,000 borrowers, for a campaign to market its capital growth plan which, the judges said, was difficult to fault.

After considering the new product areas opened by the Building Societies Act, the Skipton decided to enter only those in which it could offer a product which had a competitive edge on what was cur-rently available in the market. It decided, for instance, not to go into current account hanking which it felt was

investment accounts and mort-The objective was to exploit areas where the Skinton had a

umprofitable in itself and was

likely to limit its shility to

compete in its core business of

that has been established with particular strength. The idea of an investment bond fitted into this strategy. The society's customer base is upmarket. More than half of its customers have average balances of £8,000 in

> So in January 1987, the Skip-ton joined with the Scottish Widows life assurance com-pany, to launch the capital growth plan. National and local press advertising, by Gillett & Bevan, a Manchester agency, focused on the 20.3 per cent average growth achieved by the Scottish Widows fund in the previous five years the previous five years.
>
> The cost effectiveness of the

its investment account.

advertising was meesured against the 5 per cent commission that the society was receiving on all investments in the bond. For example, a £5,000 advertisement had to attract at least £100,000 to be worth

All advertisements were coded to show the source of applications and statistics were provided weekly for the marketing department. The overall spend on the campaign was £138,199 and it attracted investments of £4m - a cost effec-tiveness ratio of 3.4 per cent.

This announcement appears

Telemarketing was used to follow up inquiries that had not resulted in investment. Merketing maneger. Tim Hughes, says: "The geoeral response to the calls was posi-

tive and we increased the number of bonds taken up by about 10 per cent."

A direct mailshot to the society's existing customers, costing £20,000, brought in another £5.5m of investments. After that success, a second direct mailing was made et a similar cost and raised a further £3.5m. Leaflets displayed in the society's 60 branches proved even more successful in attracting business. Sales of nearly £10m were made through the

To keep up the sales momen tum, extra boouses were added to the bond nine months after its launch.

Sales finally amounted to \$23m. Gross profits to the society were more than £1m - a significant cootribution to its total pre-tax profit for 1987 of £12.7m.

"Overall," says Hughes, "the campaign demonstrated the importance of getting all the elements of promotion together at the right time and being able to monitor their effective-

The stock market crash of October 1987, which brought the Skipton's bond sales to an end, provided, in contrast, a boost for the minnow among the award winners, the single office Mornington Building Society, in Loodon.

Concerned about the outflow of funds caused by the Government's privatisation issues in 1987, the Mornington decided to try to reverse the trend by introducing a two-year term

share, et a rate of 9.25 per cent. The share was launched to the press and secured widespread publicity in the national press. At the same time, a carefully targeted advertising cam-paign, devised by the society's agency, Primary Cootact, began in four national dailies and three Sunday newspapers. Within a mooth, £3.4m worth

of shares had been sold.

As the security of building society investments was high-lighted after "Black Monday", demand surged. When the share offer was closed a few weeks later, the Mornington had totted up 900 new accounts and halances of more than film - all for an advertising ontlay of £20,000.

"It confirmed the definition of marketing as baving the right product in the right place at the right time at the right price," says Mornington's business development manager,

Leisure

Towards a homely lifestyle

David Churchill on a forecast for the industry

he leisure consumer in the 1990s will spend more money on sports, holidays abroad, and pursuing an upmarket "lifestyle" image within the bome rather than spending more tima and money on traditional leisure activities such as gambling, and visits to the pub and the

This is the central conclusion of the latest look into the future of the leisure industries by the Henley Centre for Fore-

It projects a picture of rapidly changing leisure markets, subject to the pressures of developing technology – such as satellite television – and changing demographics which. for example, will see a sharp decrease in the number of young people in the popula-tion by the mid-1990s. Henley warns that those lei-

sure markets which cannot be repositioned to be attractive to older age groups "will almost certainly have to prepare for a bleak medium term with the hatches battened down until the current mini baby boom (which will peak in 1995)

reaches maturity."

Leisure spending — which
will total £68bn this year —
has a hright future. Henley forecasts that over the 1990-93 period real leisure spending will increase by an average of 2.7 per ceot a year compared with an overall increase in consumer spending of 2.5 per cent per year over the same

Three key trends in the leisure sector are emerging for the early 1990s, with signifi-cant implications for the marketing strategies of the companies involved.

• in-home leisore. Henley

forecasts that real spending on in-home leisure pursuits (pho-tography, watching videos, lis-tening to music and reading, etc) will increase by some 27.5 per cent by 1993. The home is increasingly

becoming the focus of our leisure time, functioning as a multi-purpose activity centre," says Henley. This is partly a quence of improving levels of comfort in the home, clearly shown by the rise in penetration of consumer durables - such as microwave cookers, central heating, and fridge/freezers - in British



The degree to which inter-sts are centred on the home "reflects consumers' dissatisfaction with the quality of away-from-home leisure ven-ues," adds Henley. "Consumers have consequently voted with their feet to carry out

many such activities at home."
The cinema, point out the researchers, is the away-from-home leisure activity which has suffered most dramatically from this trend .

● Information-related lei-sure. This sector - covering reading, listening, and video and cinema - will account for nearer a fifth of leisure spending in 1993 than the 18.5 per cent share last year.

Henley points out, however, that it will be the visual/audio sections which will really ben-efit from this growth while the more traditional reading markets will be basically static.

It believes that demand for audio equipment and associated software will remain high in spite of the fall in numbers of young people. "Their increasing scarcity in the labour market will tend to keep their per capita income high, ensuring that the listening market [for audio and other equipment) can still expect to attract a reasonable share of their discretionary

Henley sees the main trends in this market as being towards portability and com-pactness of product as well as the "perceived status symbol value of much audio equip-

ment boosting the demand for high value added products. The forecasters are less optimistic about the short-term prospects for satellite broadcasting, arguing that consumer confusion will lead to singgish sales of satellite receiving dishes.

"After a slowish start, there-fore, we believe that by the year 2,000 satellite penetration will be approaching that of videos at around 70 per cent cf

Physically active leisure.
This sector — which includes
do-it-yourself, gardening, es
well as sports — remains the most dynamic in terms of volume growth. Henley predicts that spending in 1993 will be some 73 per cent higher in real terms than in 1987.

The key determinant in the sector's growth is seen as the continuing aspiration towards a healthier lifestyle. In particular, this is emerging among a more sporty middle-class as well as the increasingly prosperous segment of the over-50s market with the time and money to develop more active and vigorous lifestyles. The DIY and gardening sec-

tors will also benefit from the growth in numbers of adults in the 25 to 44 age range, who tend to be more family- and home-oriented and therefore interested in maintaining the appearance and value of their property.
* Leisure Futures: Henley

Centre for Forecasting, 2 Tudor Street, London EC4Y OAA, £800

New Issue December 1, 1988

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THE FINANCIAL TIMES PROUDLY PRESENTS... THE CALENDAR OF THE YEAR

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As a calendar alone it would more than justify its price. With three months to view on every page, clearly displayed in easy-to-read type, you'll find the FT Calendar a delight to use. What's more, the 1989 FT Calendar starts in December 1988 — providing continuity over the difficult New Year period and has a unique thirteen wouth life.

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Customery opening and closing boars of offices, National Airlines calendar, compiled from the FI's own wast dulmbank of worldwide financial news and information, is an

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COMMODITIES AND AGRICULTURE

French traders report Ivorian cocoa deal

French trade house, has bought 400,000 tonnes of Ivorian cocoa as part of a deal between Abidjan and the French Government to cut the Ivory Coast's excess cocoa sur-plus, French traders said, Reuter reports from Paris.

"The financial aspect of the deal was finalised only late last week. Ivory Coast will offi-cially announce the agreement next week at a cocoa producers' meeting in Lagos," one senior trader explained Sucres et Denrees declined

On the London Futures and Options Exchange cocoa prices closed lower. Prices were fur-ther weakened by profit-taking as the market continued to await details of the deal. The March contract ended the day

at \$866 a tonne, down £15. In New York, cocoa futures surged \$40 a tonne off the day's lows following news of the deal, before easing again. Some traders were highly sceptical of

"When we see an official statement from Abidjan co-ordinated with Paris, I'll believe it," said a trader at one com-

"I don't believe they (Sucres et Denrees) did it. I don't

SUCRES et Denrees, the believe that large a purchase French trade house, has would have been made by one company," said another.
Under the deal, some 200,000
tonnes will be stored in
Europe, 100,000 tonnes will be sold to the Soviet Union and other Eastern Enropean nations and the rest will gradually be released onto the mar-ket, according to French trad-

> "Most of the cocoa destined for storage will be kept in Amsterdam, because they have the best facilities there. A small part will probably be stored in Hamburg, too, the senior trader said.

No-one could give details yesterday on the extent and terms of the French Govern-ment'e financial involvement 90,000 tonnes of cocoa, part of the 200,000 tonnes destined for storage, were about to leave the Ivory Coast.

Mr. Jacques Pelletier, the French Co-operation Minister, said on Tuesday that no decision had been taken yet but that French financial aid was linked with fresh talks between Ahidian and interna-tional monetary bodies on

Norwegian oil field starts up

By Karen Fossii in Oslo NORSK HYDRO'S Oseberg field, one of Norway's largest oil deposits, commences pro-duction today at a rate of about 100,000 barrels a day. Plateau production of 240,000 b/d should be reached in three to four months, increasing Nor-

way's total oil production by more than 20 per cent. The timing is somewhat embarrassing for Norway, comemparissing for Norway con-ing just three days after the Organisation of Petroleum Exporting Countries won acceptance from all 13 mem-bers for limiting oil output in a bid to prevent a price crash.

Norway first pledged support for Opec at the end of 1986 and is still producing at 7.5 per cent below capacity. This policy is reviewed every six months and hinges on Opec's resolve to continue efforts to stabilise oil

 Rilwanu Lukman, the Nigerian Oil Minister and president of Opec said in an interview on Channel 4's
"Business Daily" programme
yesterday that Opec's target
price of \$18 a barrel would only be reached gradually. He said some Opec members, particularly the United Arab Emirates, might have difficulty adhering to their agreed

production quotas, but they would do their best.

TIEWED FROM Brussels.

Agricultural Policy reform.

fixed for five years ahead, for-

ward planning for farmers and

processors is assured, and, thanks to the principle of "self

financing", under which the costs of disposal are passed directly back to producers, the impact on the EC budget is

Viewed from Montreal,

where next week Trade Minis-ters meet to consider new ways

of reducing global farm sup-ports, the EC regime is a prime target for sustained attack.

Buoyed up by high internal

support prices, maintained via variable levies on imports, the

Community has moved over

the last 10 to 15 years from a

position of net importer to

become one of the largest

exporters of white sugar in the

world. The surpluses generated

with the help of Brussels' pro-tective shield have been a

major factor in driving down

world prices and clearly dam-

age returns to suppliers which do not provide comparable lev-

LONDON METAL EXCHANGE

els of domestic support

remarkably slight.

the EC's sugar regime

Algeria accepts reality on gas pricing Francis Ghilès reports on a new strategy which is paying off in export sales

to Japan;

e revived exports to the US, supplied Until these issues are at competitive prices; settled, no discussions can be to accept the commer-

cial reality of today'a natural gas market after several years of sticking to a high price strategy, even at the expense of losing markets. As a result of this change in policy, Sonatrach, the country's hydrocarbon monopoly, has started a worldwide

campaign to to expand gas In the past Sonatrach has often been accused of selling gas price ideology more than gas. More than half its 30.8bn cubic metres a year liquefied natural gas (LNG) capacity is idle as a result of difficulties

with its export contracts this

decade.

Some of these problems are not its fault, but the long arguments about apportionment of blame and Algeria's insistence on prices higher than the market will bear have prevented the country from finding new outlets and from restoring relations with old customers. Indeed, protracted stalemate in its talks over pric-ing of existing trade with France have threatened the continuation of contracts when they come up for renewal in

Since the summer, Sonatrach has even dropped its insistence on treating existing customers less favourably than • re-opened the world's first commercial LNG trade, between Algeria and the UK,

with spot cargoes this winter;
concluded its first-ever sale · resumed price talks with its biggest LNG customer, Gaz de France, insisting on commer-cial rather than political terms. The last development is the most significant, although Algeria's intentions will not be clear until the new contract \$1.87-\$2.27 delivered. pricing clause is agreed.

These moves explain the bold terms in which the then recently appointed head of Sonatrach, Mr Sadek Boussena (recently promoted again, to the post of Minister of Energy), insisted that Sonatrach would like to be paid a "commercial price" for the 9.15bn cubic metres of LNG it sells annually to France. It will no longer urge any price which may appear to be a political one, he

trach have been bogged down in complex gas contract negotiations for more than two years. The price revision now being negotiated will be back-dated to January 1987. Negotiations have been held up on two issues — the gas pricing formula and the French demand for greater flexibility in the volumes of gas to be

The sweet and sour of Europe's sugar regime

Gaz de France and Sona-

held on renewing contracts, the first of which expires in

At present, Algeria's Euro-pean customers — France, Bel-gium and Spain — are paying about 83 US cents per million anout 83 US cents per million British thermal units less than they are being invoiced, because the customers believe the gas is over-priced. On Octo-ber I, the price actually paid was estimated to be \$1.37 per million Btu fob Algeria, or

The underpayment has, in the case of France, been going on for almost two years and the accumulated difference with the billed amount equals roughly FFr 2.5bn. Some of this will be paid to Sonatrach when the new price is agreed.

Until 1986, Algeria had insisted that prices of the gas it exported must reflect the full

cost of extraction including capital charges. This led France to accept a 27 per cent prices in 1982. This premium was paid by the French Gov-ernment in 1982 and 1983 then by Gaz de France for the next

Since January 1987, with both sides openly disagreeing on pricing, no premium has been paid by France and the compromise which will eventually be found over the FFr

had accumulated over the pre-

vious five years.

US MARKETS

IN THE metals, gold and sliver prices

2.5bn will determine whether Gaz de France is still paying a Greater pressure than ever

before is being brought to bear on Sonatrach to settle once and for all this long running dispnte. The recent riots in Algeria have underlined the high price the country is pay-ing for the austerity induced by the sharp decline in its foreign income, more than over 95 per cent of which is from oil and gas exports. Mr Boussena's remarks were

rell received in Paris where a flurry of meetings between Sonatrach and Gaz de France officials has taken place in recent weeks. If Algeria needs greater financial help, it is argued, far better provide it through French Treasury con-cessionary loans than by

cessionary loans than by paying a premium over the commercial price for gas.

The issue of flexibility is likely to be settled quickly once a price is agreed and will be in line with the 10 to 20 per cent annual delivery swing afforded France by its Soviet gas contracts. Neither the Soviet Union nor Algeria is in a position to offer the much greater flexibility provided by greater flexibility provided by the Dutch exporter Gasunie. It is noteworthy, however, that these principal competitors for the French gas market have also yet to settle revised price

making it more difficult than usual for Sonatrach to gauge the going rate for gas exports

to France.
In the US market, Sonatrach has had to accommodate to extremely low prices. The basis for a re-entry into the market was worked out with Panhandie Eastern Company, of the US, in April 1987.

A similar arrangement was reached with the first US customer, Distrigas of Boston, and some cargoes were delivered, for the first time in three years, earlier this year. This winter, Distrigas expects to take between nine and 13 cargoes of LNE (each respectable). goes of LNG (each representing about 70m cu metres of gas). Trunkline, which until recently had a flexible contract but no buyers of Algerian gas, has recently concluded a sale to a power company in Florida which will enable LNG deliv-eries to its Lake Charles, Louisiana terminal to begin

later next year.
Until the past week, the elusive third major market often approached but never breached by Sonatrach's LNG, was Japan. But on Sunday, a deal was announced under which Sonatrach will supply 300m cubic metres of LNG per year to Japan's two leading gas companies, Tokyo Gas and Osaka Gas. Clearly, the company'a more commercially-oriented policy is paying off.

Moscow worried at rising agricultural insolvencies

By Quentin Peel in Moscow

MORE THAN 200 major Soviet agricultural enterprises, including state farms and collectives and food processing plants, have been declared insolvent in the past year, under the new stringent finan-cial policy being adopted by

the Soviet authorities.

The action by the State
Agro-Industrial Bank (Gosagroprombank) marks a radical departure from the willingness of the Soviet Government to provide massive subsidies to the farm sector, the weakest link in Mr Mikhail Gorbachev's urgent efforts to overhaul the Soviet economy.

The figures were revealed in an interview by Mr Alexander Obozintsev, the chairman of Gosagroprombank, who blamed poor management for disguising the extent of their plight from their farm workers.

However he said that no

major state farms or collectives

had yet been declared hank-

rupt - a concept which still does not exist in Soviet law although some in the future would have to be "liquidated". He told Pravda, the Communist Party newspaper, that the same reasons for loss-making

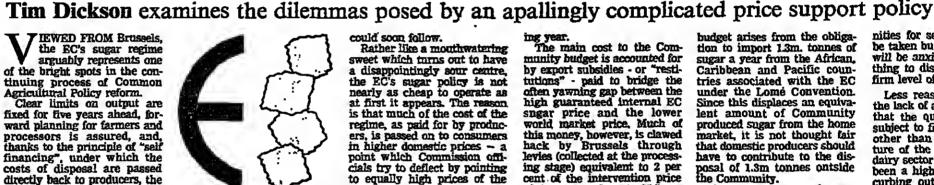
were common across the country: "Lack of turnover, had management, squandering of

"Salaries are paid without due account being taken of incomes, a large share of funds is being spent on goods not accounted for in the plan, on excess reserves of raw materials, equipment and spare

He said the first step for Soviet farms declared insolvent by the bank - one of six specialised sectoral banks now operating in the Soviet Union was to transfer to a system of cost-accounting
The accumulation of excess

reserves of raw materials. equipment and spare parts is endemic throughout the Soviet economy, because of erratic deliveries and poor communications between enterprises. Mr Obozintsev said that in a number of cases "the causes of

the losses are incompetent instructions and the decisions of superior organisa-tions. All this has to be made known, the real culprits have to be named and incompetent administrators have to be got rid of."



The European Commission continues to take a tough line in response to these criticisms, insisting that it will not take any action unilaterally to reduce the Community's pro-duction and blaming others for failure so far to agree market shares under the International Sugar Agreement. The finger is also pointed menacingly at the US, because of its more recently imposed quota restric-

If, on the other hand, in the months after the Montreal meeting the major agricultural nations can discover that so far elusive formula for rolling back the overall level of agri-cultural support, cuts in EC sugar output and in the Community's guaranteed price quota allocation for the follow-

could soon follow. Rather like a mouthwatering sweet which turns out to have a disappointingly sour centre, the EC's sugar policy is not nearly as cheap to operate as at first it appears. The reason is that much of the cost of the regime, as paid for by produc-ers, is passed on to consumers in higher domestic prices — a point which Commission offi-cials try to deflect by pointing to equally high prices of the commodity in the protected

markets of Japan and the US. Production in the EC is controlled by two types of quota—
the so-called A quota, which
roughly equates with the EC's
own needs and qualifies for the
full "intervention" price of Ecu 541.8 per tonne, and the smaller B quota, which is equivalent to EC exports and for which a lower guaranteed price applies (a bit less than two thirds of the intervention

On top of this there is C sugar, which does not come under any quota, does not receive any price support and which must be sold outside the Community. However, producers can put C sugar into store and use it as part of their A

budget arises from the obligaing year.
The main cost to the Comtion to import 1.3m, tonnes of munity budget is accounted for by export subsidies - or "restisugar a year from the African, Caribbean and Pacific countutions" - paid to bridge the often yawning gap between the high guaranteed internal EC tries associated with the EC under the Lome Convention. Since this displaces an equivasngar price and the lower world market price, Much of this money, however, is clawed hack by Brussels through lent amount of Community produced sugar from the home market, it is not thought fair that domestic producers should levies (collected at the processhave to contribute to the dis-posal of 1.3m tonnes ontside ing stage) equivalent to 2 per cent of the intervention price the Community. of A sugar and up to 37.5 per cent of the price of generally exported B sugar. In view of Thus of the Ecu 2.099bn earmarked in the preliminary 1989 budget (compared with spend-

The result is that the only cost borne by the Community's months later. Further opportu-

CRUDE OL (Light) 42,000 US gaits \$/berrel

Latest Previous High/Low

the persistently depressed level of world prices in recent years, ing of Ecu 2.03bn in 1987) only about Ecu L5bn. is likely to further measures have been come back through the levy needed. In 1985, for example, the Community agreed to Unlike other regimes where Brussels pays to put surplus output into Community stores, introduce the elimination levy, effectively designed to wipe ont the budget deficit of Ecu the EC's policy of exporting lts 400m (£260m) which the regime

no public intervention stocks. Given the Commission's key market management role, howyear the much-vaunted "budever, it is always concerned at get stabilisers" package agreed the overall position in the EC and is proud of the fact that it took advantage of the strength by Heads of Government took self-financing to its ultimate conclusion by arranging a spe-cial levy to wipe the slate clean at the end of each year. of prices earlier this year to get total stocks down from 2.776m tonnes at the end of September

excess sugar means there are

nities for selling are likely to be taken but market managers will be anxious not to do any-thing to disrupt the relatively firm level of prices.

Less reassuring perhaps is the lack of any significant sign that the quota system (albeit subject to five-year reviews) is other than a permanent feature of the market. As in the dairy sector sugar quotas have been a highly efficient way of curbing output while protecting farmers from the painful effects of a sharp price cut. But the longer they last the deeper and more unpalatable the alternative of a price cut becomes. Moreover, the approach of the so-called "single" EC market in 1992 exposes the contradiction between, the Community is becoming increasingly uncomfortable with a system based on rigid national shares which favour the relatively less efficient British and Italians against the more efficient French and Ger-

thought at the next five-year review of the regime in 1991. when the opportunity should also be taken to simplify a now appallingly complicated policy.

Chicago

SOYABEANS 5,000 bu min; cents/60th bushel

That should provide food for

WORLD COMMODITIES PRICES

(Prices supplied by Amalgamated Metal Trading) AM Official Kerb close Open Interest

Pling turnover 0,050 tonne

Ring turnover 7,400 tonne

20,966 lots

LONDON MARKETS

COFFEE prices rose sharply vesterday on growing concern about tight sup-plies of robusta from Africa. The sectonne, a rise of £29, tiringing closer the possibility of en increase in interna-tional Coffee Organisation export quotas. The 15-day ICO Indicator price must reach 114.40 cents e lb to trigger e 1m bag increase; yesterday it stood et 114.32 cents. Desiers said robustas looked very tight for December/Janu-ery/February/Merch shipment and operators were wary of e squeeze on the futures market. Uganda, Zaira, the Ivory Coast and Cameroons had had difficulties transporting coffee. On the LME, copper, zinc end lead prices were in retreat, with the copper market featuring sporedic profit-taking and heavy speculetive liquidation. In the bullion market, platinum broke through

the 2000 Su onice of	met.	
SPOT MARKETS		
Crude off (per barrel FOB)		+ or -
Dubel Brent Stend W.T.I. (1 pm est)	\$11,65-75q 514,23-83x 515,10-13q	-0.15 +0.06 +0.16
Oil products (NWE prompt delivery per t	onne CIF)	+ or -
Premium Gasoline Gas Oil	\$182-185 \$138-139	-1
Heavy Fuel Oil Naphtha Petroleum Argus Estimates	\$68-70 \$137-139	+1 -2
Other		+ or -
Gold (per troy oz) Silver (per troy oz) Platinum (per troy oz) Palladium (per troy oz)	\$423.25 5150 \$801.0 5128.0	+0.50 +5 +13.2 +0.5
Aluminium (frae market) Copper (US Producer) Lead (US Producer)	\$2366 162 ⁵ 2-1650 40 ³ 40	-40 -25
Nickel (free market) Tin (European free market) Tin (Kuele Lumpur market) Tin (New York) Zinc (Euro, Prod. Price) Zinc (US Prime Western)	625c 24037.5 19.59r 343.0c 51500 70 % c	-15 -0.5
Cattle (live weight)† Sheep (dead weight)† Pigs (live weight)†	113.29p 167.29p 80.72p	-0.36* -9.12* -0.81*
London daily sugar (raw) London daily sugar (white) Tale and Lyle export price	\$264z \$300z £263	+2 +5 +1
Barley (English feed) Meize (US No. 3 yellow) Wheat (US Dark Northern)	£113.5v £127x £113x	-1
Rubber (spot)♥ Rubber (Jan)♥ Rubber (Feb) ♥ Rubber (KL, RSS No 1 Dec)	55.75p 60.75p 61.75p 276.0m	-0.75 -0.75 -0.75 +0.5
Coconut oil (Philippines)§ Pelm Oil (Matayslan)§ Copra (Philippines)§ Soyabeans (US) Cotton "A" Index Wooltops (64s Super)	\$560z \$390 \$370x \$176.6z 00.4c 605p	-0.5 +0.1 -5
£ a tonne unless otherwise ocenta/fb, r-ringgit/kg, z-De Dec. v-lign/Mer. u-Mer. q- sion average testock prior week ago. \$\foatieu-inden physics terdem. \$\text{\$\tex	c/Jen. x-Dec len. †Meat C s. * changa al market, fi	ommis- from a CIF Rot-

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May	866 870	876 681	874 850 874 855	3 mont			317-20	2335/2
Sop	869	881	872 855	Akunio	kars.98.5%	portly (£	per torme)	
Dec	894	905	894 875	Cesh	1240		230-40	
Mar	905	910	905 900	- Dec. 21			230-40	
Turnoy	er; 10264	(7711) lots	of 10 tonnes	Copper	. Grade A	(E per tone	10)	
price t	or Nov 28	1133.10 (1	s per tonne). Dall 122.49):10 day aver	Cash	1818		858-63	1840/1
age for	Nov 30:	1113.13 (110	16.42)	3 mont			656-7	1850/1
				- Silver (US cents/	fine ounce)		
COFFE	E É/tonse			- Cash	608-1		04-6	
	Close	Previous	High/Low	_ 3 mont	he 621-4		18-20	
Nov	1077 1098	1067	1078 1067 1096 1065	Lood (2	per tonn	0)		
Mar	1005	1065	1089 1065	Cash	382-4		90.5-2.5	383
May	1060	1061	1080 1084	3 mont	378-9	3	86-6	388/37
Jly Sep	1075 1074	1062	1078 1064 1077 1062	Nickel (2 ber rour	ne)		
Nov	1070	1085	1072 1070	Cash			4000-100	14000/
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NOV 2	t Comp.	deily 113.3	ents per pound) to 7 (113.12); . 15 day	Cash	1630-		860-70	
	,			<u> </u>			565-70	1560
SUGA	R (\$ per to	nne)		_	per tome			
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Mar	250.20	256.40	256.60 249.20	POTATO	OES E/ton	7.0		
May	242.40	248.00 241.60	247.40 242.00 240.80 235.80		Close	Previous	High/Low	
Oct	233.00	237.60	237.20 234.40	Feb	70.0	65.0		
Wille	Close	Previous	High/Low		96.4	96.5	96.5 96	3
Mar	289.00	289.00	299.00 284.00	Apr May	112.5	112.5	1125 112	.5
May	280.00	282.00	264.00 280.00	Turnove	er 64 (134	lots of 40	tonnes.	
Aug	280.00	252.00	284.00					
Oct Dec	275.00 275.00	277,00 272,00						
Mar	274.00	274.00		SOYAB	ean Méa			<u> </u>
Turney	er: Rew	3218 (4481)	lots of 50 tonner		Close	Previous	High/Low	
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have	bought in	fleece wool	after modest	May	118.40	118.90	118.40 116	8.40
biddi	ng on som	e types ear	ler. Cerding	Sep	102.20	102.55	118.40 116 102.35 10	2.20
Wools	represen	tine bulk of	purchases, many months	Nov	104.50	104.80	104,70 10	4.50
reach	ed 12% of	the offerin	at Geelong.					
Much	of the UK	industry is	busy at present		Okean	Previous	High/Low	
			189 neturally rtant are high	Barley	Çiose			
		The same in a		Jan	108.20	106.90	106.63 '0	5.20

111.75 112.25 Turnover: Wheat 134 (129) , Barley 140 (114)

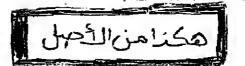
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						Dec	424.8	-
Colm		\$ price			ivalent	Jan Feb	427.5	
Mapl Brita		435-44		235-2	35 38	Apr	434.9	
US E	agle	435-44	D	235-2 235-2	39 -236 %	AUD	440.4	1
Ange		422-42	5	228-2	30	Dec	452.0 457.8	
Krug								
New Old 8	Sov.	89 2-10 89 2-10	001 ²	53 ¼ -	54 ig 54 ig	Feb	429.5	_
New Old 8	Sov.	99 ½ - 10 99 ½ - 10 595, 7-8	001 ²	53 kg - 53 kg - 322 3	54 ig 54 ig 5-326.05	Feb	NEUME 50	tro:
New Old S Noble	Sov. Sov. Plut	991 ₂ -16 595.7-8	00 ¹ 2 02.55	322.3	54 ½ 5-326.05	PLATE	Ciose	tro
New Old S Noble	Sov. Sov. Plut	991 ₂ -11 595.7-8	001 ₂ 02.55	322.3	54 ½ 5-326.05 3 equiv	Feb PLATE Jen Apr	Close 608.7 604.7	tro
New Old S Noble Spot	Sov. Sov. Plut	99½-16 595.7-8 p/fine 328.40 338.60	001 ₂ 02.55	531 ₁ - 322.3 US et 606.9 621.0	54 1 ₂ 5-528.05 5 equiv	Feb PLATE Jan	Close 608.7 604.7 804.7 804.7	tro
New Old S Noble	Sov. Sov. Plat Plat	99 ½ -14 595.7-8 p/hns -	001 ₂ 02.55	531 ₁ - 322.3 US et	54 lg 5-325.05 3 equiv	Feb PLATE Jen Apr Jul Oct Jen	Ciose 608.7 604.7 604.7 806.7 610.7	
Silve Spot 3 mo 5 mo	Sov. Sov. Plat Plat	99 ½-16 595.7-8 p/fine 328.40 338.90 350, 15	001 ₂ 02.55	53 kg - 322.3 US et 606.9 621.0 636.5	54 lg 5-325.05 3 equiv	Feb PLATE Jen Apr Jul Oct Jen	Cicse 508.7 604.7 604.7 604.7 605.7 610.7 R 5,000 t	
Silve Spot 3 mo 5 mo 12 mo	Sov. Sov. Plat Plat onths	991 ₂ -11 595.7-8 p/fine 328.40 338.90 250.15 371.80	001 ₂ 02.55	53 År - 322 3 US et 606.9 621.0 636.6	54 % 5-526.05 S equiv	Jen Apr Jul Oct Jan SRLVE	Close 608.7 604.7 604.7 808.7 610.7 R 5,000 t	
Silve Spot 3 mo 5 mo 12 mc	Sov. Sov. I Plut TEX TEX THE OTHE OF CH. S.	95/g-16 565.7-8 p/fine 328.40 338.90 350.15 371.80 /bs/ref	001 ₂ 02.56 02	53 År - 322 - 3 US et 606 - 9 621 - 0 635 - 5 666 - 5	54 12 5-326.05 3 equiv	PLATI Jen Apr Jul Oct Jan SR.VE	Close 608.7 604.7 604.7 804.7 806.7 810.7 R 5,000 t Close	
Silve Spot 5 mo 12 m GRUR	Sov. Sov. I Plat Plat Plat Plat Plat Plat Plat Plat	89/g-11 595,7-8 p/fine 828,40 338,90 350,15 371,50 Abstract Aose 4.06	90-1 ₂ 102.55 Oz Previo 13.95 13.85	53 År - 322 - 3 US et 606 - 9 621 - 0 635 - 5 666 - 5	54 12 5-326.05 3 equiv	Jen Apr Jul Oct Jan Stl.VE	Close 608.7 604.7 804.7 804.7 806.7 610.7 R 5,000 t Close 518.6 518.6 623.7 629.0	
Silve Spot 3 mo 5 mo 12 m CRUS	Sov. Sov. I Plat Plat Plat Plat Plat Plat Plat Plat	89/g-11 595,7-8 p/fine 328,40 338,90 350,15 371,80 Abarrel Acces 4.08 4.00 4.07	00-1 ₂ 002-86 002 002 13-95 13-85 14-81	53 År - 322 - 3 US et 606 - 9 621 - 0 635 - 5 666 - 5	54 % 5-526.05 S equiv	Jan Apr Jul Oct, Jan Salve Dec Jan May May	Close 608.7 604.7 604.7 604.7 608.7 610.7 610.7 610.6 610.6 610.6 610.6 620.7 620.0 630.8	
Silve Spot 3 mo 5 mo 12 m CRUS	Sov. Sov. I Plat Plat Plat Plat Plat Plat Plat Plat	89/g-11 595,7-8 p/fine 328,40 338,90 350,15 371,80 Abarrel Acces 4.08 4.00 4.07	00-1 ₂ 002-86 002 002 13-95 13-85 14-81	53 År - 322 - 3 US et 606 - 9 621 - 0 635 - 5 666 - 5	54 12 5-326.05 3 equiv	Jen Apr Jul Oct Jan SRLVE	608.7 608.7 608.7 608.7 608.7 608.7 610.7 R 5,000 t Close 518.5 518.6 623.7 629.0 638.2	
Silve Silve Spet 3 mo 12 m CRUR Lan Feb 12 h	Sov. Sov. I Plat Plat Plat Plat Plat Plat Plat Plat	99 /g-11 595.7-8 p/Time 525.40 338.90 338.90 /barrel 7066 4.00 4.07 72 (4636	00-1 ₂ 002-86 002 002 13-95 13-85 14-81	53 År - 322 - 3 US et 606 - 9 621 - 0 635 - 5 666 - 5	54 12 5-326.05 3 equiv	Jan Jan Salve Jan Salve Jan Salve Jan Salve Jan Mary Jan	Close 508.7 604.7 604.7 604.7 606.7 610.7 R 5,000 t Close 518.6 523.7 629.0 639.2 646.8 692.0 675.8	
Silve Silve Spet 3 mo 12 m CRUR Lan Feb 12 h	Sov. Sov. I Plut I Ex Other O	99 /g-11 595.7-8 p/Time 925.40 938.90 9350,15 371.80 /bs/rei 7046 4.00 4.07 /2 (4638	00-1 ₂ 002-86 002 002 13-95 13-85 14-81	53 År - 322 - 3 US et 606 - 9 621 - 0 635 - 5 666 - 5	54 2 5-526.05 3 equiv 0 0 7 3 4 14.00 4 13.95	Jen	Close 508.7 604.7 604.7 604.7 610.7 610.7 610.7 610.6 613.6 623.7 623.7 628.2 646.8 692.0 675.8	roy
Silve Silve Spot 3 mo 5 mo 12 m CRUE Jan Feb IPE h Turns	Sow. I Plut I Pl	991g-11 595,7-8 p/fine 328,40 338,40 350,15 371,80 A.08 4.08 4.09 4.07 72 (4636	Previo 13,95 14,61 7.00	53 \(\cdot \) US et 606.9 621.0 636.8 666.8 High/Lt 138.50	54 2 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	Jen	Close 508.7 604.7 604.7 804.7 806.7 806.7 806.0 810.7 R 5,000 t Close 518.6 623.7 629.0 639.2 646.6 692.0 675.8 682.0	roy
Silve Spot 3 mo 12 m CRUE Len Feb IPE k Turns	Sow. Sow. Sow. Plut # Ex # E	93/2-11 595.7-8 p/Briss 322,40 338.90 350,15 371.80 /bsarrei 2056 4.08 4.00 4.07 /2 (4638 1375 137	Previo 02.55 02.55 02.55 02.55 13.85 14.61	S314 - 322.3 US et 606.9 621.0 636.5 666.8 High/Lt 138.50 137.25	54 2 5-526.05 3 equiv 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Feb PLATI Jen Apr Jul Apr Jul StLYE Dec Jan Her May Jul Sep Jen Mar Mar COPPI	Close 608.7 604.7 604.7 604.7 604.7 604.7 606.7 610.7 610.7 610.7 610.7 610.7 610.5 610.6 623.7 629.0 639.2 649.6 692.0 675.6 692.0 675.0	roy
New CRUE	Sow. Sow. Sow. I Plat Plat Plat Plat Plat Plat Plat Plat	93 ¹ 2-11 ⁵ 595.7-8 p/Prine 328,40 338,90 338,90 350,15 371,80 /csarrei	0012 02.55 02.55 02 13.95 13.85 14.61 0	S314 - 322.3 US et 606.9 621.0 636.6 656.6 14.0 14.0 138.50 137.25 138.20 139.21	54 2 5-526.05 3 equiv 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Jen Apr Jul St. VE St.	Close 608.7 604.7 804.7 804.7 804.7 804.7 808.7 610.7 810.7 810.7 810.7 810.7 810.8 518.6 623.7 629.0 658.2 646.6 692.0 575.8 580.4 692.0 Close 153.20 146.70	roy
New CRUR Shoot Spot Spot Spot Spot Spot Spot Spot S	Sow. Sow. Sow. I Plat I Ex Plat I Ex COL. \$1 Index. 1 I Prover. 467 Close 137.1 185.1 129.1	93 ¹ 2-11 ⁵ 595.7-8 p/Brie 328,40 338,90 338,90 350,16 371,80 Abstrel 4,00 4,07 72 (4638 Anne 99 90 13 15 15 15 16 17 17 18 18 19 19 19 19 19 19 19 19	002.55 002.55 002.55 002.55 002.55 002.55 002.55 13.85 14.61 13.85 14.61 17.00 8.26 17.50 17.50 17.50	S3 14 - 322.3 US et 606.9 821.0 635.5 866.8 14.0 14.0 138.50 137.25 138.25 138.25 138.25 138.25 138.25 138.25	54 2 5-526.05 5 equiv 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Feb PLATI Jan Apr Jul Out Jan SSLVE Dec Jan Feb Mar Mar Jul Out Jan SSLVE Jun Feb Mar COPPI Dec Jun Feb Mar Lun	Close	roy
New Spot of Sp	Sow. Sow. Sow. Plat Plat Plat Plat Plat Plat Plat Plat	983/2-115985.7-8 595.7-8 526.40 338.90 3371.80 459274 459274 4.08 4.00 4.00 13 50 13 50 13 50 13 50 13 50 13 50 13 50 13	Previous 13.95 13.85 13.85 13.85 13.85 13.85 13.85 13.85 13.85 13.85 13.85	S314 - 322.3 US et 606.9 621.0 636.6 656.6 14.0 14.0 138.50 137.25 138.20 139.21	54 2 5-526.05 5 equiv 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Jen Apr Jul St. VE St.	Close 608.7 604.7 804.7 804.7 804.7 804.7 808.7 610.7 810.7 810.7 810.7 810.7 810.8 518.6 623.7 629.0 658.2 646.6 692.0 575.8 580.4 692.0 Close 153.20 146.70	roy

		113, gold (7.5	45.50	44.00	45.00	44.00	- SOYA	BEANS 5,	000 bu min; c	ents/60% br	ushol
		or the day			Feb	15.09 14.93	14.92 14.83	15.20 15.03	14,98		Close	Previous	High/Low	
		umbert. De			Mar	14.90	14.82	14.99	14.82					
days	best to	uyers. Pla	tinum ft	itures	ADT	14.91	14.84	14,95	14.85	Jen	763/6	753/6	764/4	T51/0
agal	n poste	d gains a	s comun	ssion	May	14.92	14.68	14.95	14.85	Mar	776/4	785/4 770/4	778/4	762/4
		ity was fe			Jun	14.89	14.88	14.98	14.85	May	779/4	770/0	781/0	766/4
		choppy b			Jul	14.93	14.90	14.98	14.93	Jul	779/2 785/4	758/0	780/0 786/0	757/0
		or the da			Sep	14.95	14.94	15,00	14.89	Aug Sep	712/0	714/0	716/0	708/4
					WEAT	NO ON A	2,000 US ga	elle coots	nie oute	Nov	681/0	686/2	68670	877/0
		s featured			1220					Jan	680/0	682/0	683/4	667/0
		lack of ph				Latest	Previous	High/Lo	*					
		Cocoa pri			Dec	4790	4779	4830	4760	SOYA	BEAN OIL	60,000 lbs; c	ents/lb	
		olesimme			Jan	4779	4747	4815	4730		Close	Previous	High/Low	
		e futures			Feb	4710	4670	4750	4660				<u> </u>	
		mostly to			Apr	4307	4260	4360	4280	Dec	21.72	21.22	21.75	21.25
mari	ket in th	he grain r	narkets,	a	May	4200	4145	4245	4181	Time	22.00	21.50	22.05	21.54
follo	W-through	gh to Tue	sdays la	to rally	Jun	4170 4290	408S 4200	4180 4293	4120 4280	Mar May	22.60 23.17	22.15 22.60	22.65	22.11
alon	g with p	rofession	al short	covering					7200	- Jul	23.70	23.10	23.70	23.15
Drov	ided str	ength in 1	he sovb	валз.	COCC	A 10 tone	юс;\$/топпе	6		Aug	23.75	23.15	23.75	23.40
		oderate o				Close	Previous	High/Lo		Sep	23.80	23.30	23.80	28.40
		ter delive						_		Oct	23.80	23.37	23.80	23,40
				losings up	Dec	1420	1437 1486	1430	1400					
					May	1479	1485	1486	1445 1448	SOYA	BEAN ME	AL, 100 tons;	\$/ton	
				markets,	Jul	1486	1488	1486	1457		Close	Provious	High/Low	
		tell as lo			Sep	1483	1495	1482	1478			TI DATE	DIGITATION	
		mandin t			Dec	1506	1503	1507	1480	Dec	248.2	243.1	245.5	241.8
		he future:			Mar	1531	1528	1500	1500	180	249.0	244.5	249.2	243.2
live	hogs ad	vanced a	s spread	ding and	-		,500lbe; ce			Mar	248.7	244.2	249.0	242.5
shor	1-covert	ng was te	stured.	The	corr	2 6 3/	,SOUIDE; CE	LICEN (DS		May	245.7	240.7	246.0	239.0
		kets were				Close	Previous	High/Los		Jul	241.0	237.0	241.0	235.0 228.0
				rable. The	Dec	124.82	123.60	124,95	128.95	Sep	233.0 224.5	250.7 221.0	233.0 225.0	218.5
		dey in the			Mar	123.77	123.05	124.10	123.20	Oct	211.0	208.0	211.0	207.0
		ucts also			May	122.80	122.91	123.40	122.50					
01101	Sh twon	1000	20000	on Gard	Jul	122.35	122.15	122.40	122,00	MAIZ	E 6,000 bu	min; cents/5	6lb bushal	
					Sep	121.25	120.95	122.00	121.25		Close	Previous	High/Low	
Ma		72-			Dec	120.60	120.61	0	0	B				
HE	W Y	OFK			Mar	119.75	119.35	0	0	Dec Mar	281/2 270/4	255/6 267/0	261/4	256/6 256/4
					SUGA	R WORLD	*11° 112,0	ood last co	ote/lbs	May	274/4	272/2	270/6	271/4
GOLD	100 troy	oz.; Strey	2				Previous			Jul	276/0	274/2	276/0	274/0
	Close	Previous	High/Lo			Close	Previous	High/Lo	*	Seo	260/2	258/4	260/6	258/4
-	424.8				Jan	10.11	10.15	0	0	Dec	255/2	253/4	255/4	253/4
Dec	427.5	421.9 424.8	425.5	420.7 425.2	Mar	11.07	11.30	11.27	11.00	Mar	280/4	253/4	260/4	260/0
Jan Feb	428.5	427.1	429.8	425.9	May	10.73	10.94	10.85	10.86	WALE A	T 5 000 %	min; cents/	IN hashed	
Apr	434.9	432.5	435.0	431.0	Jul Oct	10.48	10.71 10.55	10.62	10.45					
Jun	440.4	438.1	440.5	437.A	den	9.01	9.17	10,47	10.25		Close	Previous	High/Low	
AUG	448.2	444.0	444.9	444.9	Mer	10.10	10.28	10.16	10.10	Dec	424/8	423/4	425/0	421/2
Oct	452.0	448.9	0	0	_					Mar	427/4	427/0	427/6	423/4
Dec	457.8	455.7	457.6	455.0	3011	ON 50,000	; cents/lbs			May	412/4	413/0	413/0	409/4
Feb	429.5	427.1	429.0	426.9		Close	Previous	High/Los	N	- Jul	362/2	382/2	383/0	378/0
PLAT	HUM 50 t	roy oz; \$/tre	y oz.		Dec	57.45	56.40	57.50	56.44	. Sep Dec	386/4 396/0	366/0	386/4	366/0
	Ciose	Previous	High/Lo		Mar	56,46	55.94	56.80	55.95			396/0	396/4	39310
-					May	56.65	56.07	56.60	56.10	LIVE	CATTLE 40	,000 lbs; cen	ts/libs	
Jen	608.7	584,4	009.4	381.5	Jul	56.60	56.00	56.60	56.15		Close	Previous	High/Low	
Apr	604.7	582.4	605.0	578.5	Oct	66.50	56.00	56.50	58.25	5				
Jul Oct	604.7 606.7	583.4 585.9	605.0 605.0	586.0 586.5	Dec	56,75	56.20	56.75	56.20	. Feb	72.32 72.62	73.10	73.07	72.17
Jan	610.7	590.1	محب	0	ORAN	GE TRACE	15,000 lbs	cents/the		Apr	73.70	73.10 74.17	73.15 74.35	72.25 73.60
_						Close	Previous			Jun	72.20	72.50	72.60	72.02
SHLYE	u 2'000 p	roy az; cent	vircy az.							Aug	70.10	70.47	70.50	69,92
	Close	Previous	High/Lo	w	Jen	100.00	165.70	166.50	163.50	Sep	69.80	69.50	o T	69,70
Dec	513.5	608.0	616.0	603.0	Mar	164.40	164,80	164.80	163.20	Oct	69,00	63.37	69.55	68.90
Jan	518.6	608.7	620.5	620.0	May	164.50 165.40	165.65	165.00 165.00	163.50	Dec	72.00	Q	72.30	72.00
Feb	623.7	0	0	0	Sep	164.50	163.68	164.80	163.65 159.00	LIVE	HOGS 30.0	00 lb; conta/	des.	
Mar	629.0	615.9	631.6	618-5	Nov	150.25	180.50	9	0					
S.Fare	639.2	628.2	641.5	631.8	Jan	157.35	157-25	ŏ	ō		Close	Previous	High/Low	
May		638.9	653.0	640.0	Mar	157.35	157.25	ō	Ö	Dec	39.62	39.47	39.95	39.25
ألنال	646.8			682.0						Feb	43.77	43.40	43.80	42,95
Jul Sep	646.6 690.0	650.2	662.0	002.0						Apr Jun	42.90	42.65	42.95	42.50
Jul Sep Dec	646.8 690.0 675.8	666.0	678.0	659.0							47.05	46.62	47_20	46.40
Jui Sep Dec Jan	646.8 690.0 675.8 680.4	665.0 671.0	678.0 0	0.989							47.25			
Jul Sep Dec Jen Mar	646.8 690.0 675.8 680.4 692.0	665.0 671.0 682.9	678.0 0 0	659.0						Jul Aug	47.25 48.57	47.00	47.37	46.75
Jul Sep Dec Jen Mar	646.8 690.0 675.8 680.4 692.0	665.0 671.0	678.0 0 0	0.989	79620	CEE				Aug			47.37 48.70	46.75 46.10 43.55
Jul Sep Dec Jen Mar	646.8 690.0 675.8 680.4 692.0	665.0 671.0 682.9	678.0 0 0 Re	0			as: SepleM	ber 18 193	1 = 100)	·Aug	48.57	47.00 46.25	47.37	46.10
Sep Sep Dec Jan Mar COPP	648.8 690.0 675.8 680.4 692.0 ER 25,000	665.0 671.0 682.9 lbe; centa/ Previous	678.0 0 0 Re High/Lo	0 0 686.0		TERS (Ba	se: Septem			Aug Oct Dec	48.57 43.55 44.25	47.00 48.25 43.30 44.60	47.37 48.70 43.55 0	
Jul Sep Dec Jen Mar	646.6 690.0 675.6 680.4 692.0 ER 25,000	665.0 671.0 682.9 Ibe; cents/ Previous 163.60	678.0 0 0 0 Re High/Lo	689.0 0 0			9 Nov 28	mnth eg	o yr ago	Aug Oct Dec	48.57 43.55 44.25 BELLIES	47.00 46.25 43.30 44.60 38,000 lbs; co	47.37 48.70 43.55 0	46.10 43.55
Sep Dec Jan Mar COPP	648.8 690.0 675.8 520.4 682.0 ER 25,000 Close 153.20 145.70 139.30	665.0 671.0 682.9 lbe; centa/ Previous	678.0 0 0 Re High/Lo	0 0 686.0		TERS (Ba	9 Nov 28			Aug Oct Dec PORK	48.57 43.55 44.25	47.00 48.25 43.30 44.60	47.37 48.70 43.55 0	46.10 43.55
Sep Dec Jan Mar COPP Dec Jan Feb Mar	648.8 690.0 673.8 520.4 682.0 Close 163.20 145.70 139.30 153.00	665.0 671.0 682.9 Dibe; centa/ Previous 163.50 144.09 0 103.00	678.0 0 0 High/Lo 154.50 143.00 0 134.50	689.0 0 0 147.55 138.00	REU	Nov 2 1863.0	9 Nov 28 1880.8	7878.6	1704.3	Aug Oct Dec PORK	48.57 43.55 44.25 BELLIES Close 44.62	47.00 46.25 43.30 44.60 38,000 lbs; co	47.37 48.70 43.55 0	46.10 43.55
Sep Dec Jan Mar COPP Dec Jan Feb Mar May	649.8 699.0 675.8 692.0 ER 25,000 Close 163.20 145.30 133.00 124.00	665.0 671.0 682.9 Ibe; cental Previous 153.50 144.09 0 133.00 122.50	678.0 0 0 HKght/Lor 154.50 143.00 0 134.50 125.50	147.55 138.00 0 127.00 118.50	REU	Nov 2 1863.0 JONES (9 Nov 28 1880.8 Base: Oec.	1878.6 31 1974 =	1704.3 100)	Aug Oct Dec PORK	48.57 43.56 44.25 BELLIES Glose 44.62 45.25	47.00 46.25 43.30 44.60 38,000 lbs; co	47.37 48.70 43.55 0 ents/lo High/Low 44.65	46.10 43.55 44.25 42.60 46.85
Sep Dec Jan Mar COPP Dec Jan Feb Mar May Jul	649.8 699.0 675.8 689.0 682.0 ER 25,000 Close 153.20 145.70 139.30 139.30 124.00 110.50	566.0 571.0 682.9 Dibe, central Previous 153.60 144.09 0 133.09 122.50 119.00	678.0 0 0 154.50 143.00 134.50 125.50 120.50	147.55 138.00 0 127.00 118.50 114.50	DOW	Nov 2 1863.0 JONES (155.80	9 Nov 28 1880.8 Base: Oec. 135.23	1878.8 31 1874 = 133.46	1704.3 100) 132.30	PORX Peb Mar May	48.57 43.55 44.25 BELLIES Close 44.62 45.25 47.02	47.00 46.25 43.30 44.60 38,000 lbs; co Previous 43.05 43.62 45.35	47.37 48.70 43.55 0 ents/lb High/Low	46.10 43.55 44.25 42.60 46.85 44.95
Sep Dec Jan Mar COPP Dec Jan Feb Mar May	649.8 699.0 675.8 692.0 ER 25,000 Close 163.20 145.30 133.00 124.00	665.0 671.0 682.9 Ibe; cental Previous 153.50 144.09 0 133.00 122.50	678.0 0 0 HKght/Lor 154.50 143.00 0 134.50 125.50	147.55 138.00 0 127.00 118.50	DOW	Nov 2 1863.0 JONES (9 Nov 28 1880.8 Base: Oec. 135.23	1878.6 31 1974 =	1704.3 100)	Aug Oct Dec PORK	48.57 43.56 44.25 BELLIES Glose 44.62 45.25	47.00 46.25 43.30 44.60 38,000 lbs; co Previous 43.05 43.62	47.37 48.70 43.55 0 ents/lo High/Low 44.65 46.35	46.10 43.55 44.25 42.60 46.85

Low

(3/1/75)

50.53



Ord. Di. Yield
Earning Yid %(full)
P/E Ratio(Net)(\$\phi\$)
SEAQ Bargains(Spm)
Equity Turnover(Sm)†
Equity Bargains†
Shares Traded (ms)†

DAY'S HIGH 1464.5

Argull Green ____ Aus. Brill Foods...

Ordinary Share Index, Hourly changes

1461.1 1461.1 1462.9 1462.7

LONDON STOCK EXCHANGE

Share prices extend their recovery

THE DETERMINED defence of his interest rate strategy by Mr
Nigel Lawson, the UK Chancellor of the Exchequer, did notdiscourage a renewed technical rally in UK equities yesterday. Despite another gain by the pound, share prices opened higher, featured by a further recovery in property shares which have suffered in the wake of the rise in UK base

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rates to 12 per cent.

Howevar, special factors
played a significant role in the equity market's performance and prices closed below their t levels. Trading in the FT-SE options contract just ahead of the expiration of the current contract in late-morn-

Dealing	Detes
Nov 36	Dec 12
Dec 8	Dec 22
Dec 9	Dec 23
Dec 19 .	Jan D
	Nov 38 Dec 8

ing influenced the underlying equity market, actually taking the FT-SE Index briefly above

The second half of the seasion saw share prices slipping back from their best levels. Two fairly modest sell programmes were identified in the marketplace, falling largely on

FT-A All-Share Index

the financial share sectors. The advance in property technical factors. The sector fell sharply on Friday but hasattracted significant takeover interest in the wake of the

from Rodamco of Holland.

The FT-SE index closed a net
5.5 points higher at 1792.4 leaving analysts to debate the
solidity of the recovery staged
since last week's shakeout. Seaq volume of 444.8m shares, against 408.4m on Tuesday, was believed to include a substantial proportion of inter-marketmaker trade. London was helped at the

close by a steady trend on Wall

Equity Shares Traded

Tumover by volume (million)

Street in early deals, and by comments from the Federal Reserve Board on slower growth in the US economy. The next two days bring a lengthy list of data on the US economy, featured by Friday's announcement of the latest employment trends.

At least one trading house

with close US connections was telling clients yesterday that the bear run on Wall Street might be nearly over, despite fears of a bike in the Federal discount rate.

There were further signs of discomfort among London's equity trading community. Shearson Lehman Hutton's London marketmaking arm

A fresh spate of "bny

clearers. Kleinwort Benson "continues to believe that the

time is correct for adopting an

overweight stance - funda-mentals are attractive. Klein-

wort favours Barclays, Lloyds, TSB and, "on yield grounds",

apiece to 421p and 544p respec-

commence trading on Monday afternoon following Friday's

deadline for share applica-

tions. No "grey market" is per-mitted in the issue, so market forecasts continue to centre

around the IG Index quota-

tion, which invites customers

to estimate the closing price

on Monday of the 60p partly-

paid shares. This opened lower

yesterday at 65p-68p, from 66p-69p overnight, later

tively. Royal Bank of Scotland

slipped 2 to 365p with dealers on the alert for any develop-

ments other than the prelimi-

Life assurers crept better,

nary results which are expec-

but dealers said there was little in the way of business in the

sector, apart from Abbey Life's

participation in the afternoon programme trade. Pearl jumped 4 to 409p with the mar-

et full of stories that Larry

Adler's FAI Group had moved

back in to the market to

increase its 11 per cent stake.

The shares were also boosted by a "buy" note issued by Robert Fleming. Scottish & Newcastle rose

to 399p as a bear squeeze took

steadying to 6512 p-68p.

ted early today.

British Steel issue

Standard Chartered

signalled disapproval of market tactics at rival houses by quoting Rank Organisation shares without any spread between buy and sell prices. This house claims that the UK market system "did not work" during Friday's sudden setback when the anthorities were obliged to announce "fast market conditions on two occasions when traders claimed inability to change screen

prices fast enough.
In an unrelated incident, the Stock Exchange imposed heavy fines on two unnamed marketmakers for "late reporting" of share deals, an omission which can mislead other traders and

create a false market.

in a market which dealers described as squeezy. Store-house fell another 3 to 212p in reduced turnover of 4.1m shares. The market is waiting for news following the very high level of turnover in recent sions and a few investors have been tempted into taking

Glamar Group, the Marks and Spencer supplier depressed after poor results last week, recovered amid talk that its

Lloyds moved up 4 to 331p and Barclays and NatWest 3 leaders was much lighter. Some 5.1m Plessey changed hands, but the shares ended the session only a fraction easier at 209p amid worries over the possible referral of the Despite the continuing GEC/Siemens bid for the comrecovery in the equity market, traders sounded increasingly nervous on prospects for the British Steel issue, which will

Rurotunnel, which has been popular recently, particularly among French buyers, fell 17 to

meeting in Brussels. The meeting expressed concern with the state of preparedness of the contractors for the development of the project next year. Although progress on the service tunnels has improved the overall message was that there is still a need for further improvement if lost

time is to be recovered.

Ransomes Sims and Jefferies rose 18 to 376p on news that Birmid Qualcast had raised its holding to 9.23 per cent. Vosper Thornycroft fell 4 to 197p on lower interim results

its first half year figures since returning to the market earlier this year. The six-

progress report from the board

news that the company has been given permission by the German Federal Cartel office to proceed with the acquisition of Gestra. Siehe wants to buy a 76 per cent stake at £15.7m. Ladbroke remained a weak market as talk that an

announcement is imminent refused to go away. The shares fell 4 to 432p. Mount Charlotte

non-beneficiaries of the wider

1514.7 1926.2 49.4 (16/7/87) (26/6/40) (22/9) (15/2/83) (28/10/71) O S.E. ACTIVITY Nov. 29 Nov. 29 Gilt Edged Bargains 146.5 Equity Value 5—Day average Gift Edged Bargains 169.7 172.0 2189.8 **Equity Value**

High

(9/1/35)

105.4

Cable moves on Rentals

Cable & Wireless (C & W), the 940 telecommunications group, provided one of the day's major developments by launching a market raid on Telephone Rentals (TR) just one week before its £319m offer for TR The raid, operated by Cazen-

ove, brokers to C & W, netted some 22m TR shares, taking the C & W stake from just over 2 per cent to 28.5 per cent. Fol-lowing this move, the market believes that the bid contest could be as good as over -Casenove found little difficulty in picking up the 22m-odd shares in the market and they need only a further 22 per cent to win control, one dealer said.

C & W launched its original 305p a share offer for the telephone group two months ago, but later increased it to \$40p. TR, after moving up to the bid price yesterday, slipped back to end 7 higher at 336p with turn-over at a massive 50m.

Sir Charles Ball, chairman of TR, continues to urge rejection of the bid. C & W shares received a significant boost from details of the sale of a 4 per cent stake-in Hong Kong Telecom, closing at 371p, a gain of 9-on turnover of 1.8m.

Fisons debate

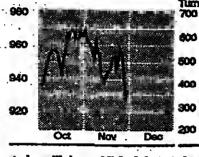
Fisons fell 4 to 281p in turnover of 19m. The analysts at Robert Fleming have recently undertaken a major study of the pharmaceutical company and have been reiterating their judgment that the risk profile on the shares is too high for comfort despite their observa-tion that, "the shares are not grossly over valued.

In a series of presentations to institutional clients around.

the UK, Mr Steve Plag and Mr Jonathon de Pass have argued that in addition to documented of Fisons' drug Pentamidine. there are concerns that sales of the drug Intal, used for the treatment of asthma sufferers. will be adversely affected once an important US patent run

out next year.

There are also serious worries about Tilade, a key respiratory drug in Fisons, development programme. The combination of worries is enough to persuade the analysts to rate Fisons a 'sell into strength' at a time when several other houses remain buy-ers of the shares on the grounds that aerosol Pentami-dine is expected to receive US approval before the New Year. Full details of the Fleming



study will be published in a

Lonrino theatre

Lonrho accepted a more subdued role yesterday, although the element of theatre was maintained. An eager early audience was ready for another compelling act in the drama, but hopes were dashed when Messrs Bond and Rowland chose to wait in the wings. Either could have increased their respective shareholdings, but if they did so the business was conducted quietly.

Smith New Court, the house associated with previous Bond purchases, bought stock yester-day without being an aggres-sive bidder. Another broking house seemed to lose interest after acquiring sizeable num-bers of shares early on and patrons departed no nearer to solving the conundrum. "The mystery continues"

says Mr Jeff Ware in County NatWest WoodMac's latest summation. "The planned disposal (referring to Monday's sale of Lourho's wine and spirits interests) highlights further the value of the companies within the group. The question is how this value will be unlocked." Lonrho shares rose to 390p before backtracking to end just 3 up on the day

Assets exchanged

The exchange of assets between building products and suppliers Norcros and Meyer International drew approval from the City with share prices

Nortros jumped 10 to 8340 and Meyer International, which lost out recently in the hattle to win control of Travis and Arnold, added 11 at 365p. Norcros is selling the UBM

husiness, acquired in 1985 and now valued at £125m, to Meyer in exchange for Meyer's Crosby division which manufactures doors, windows and kitchens

and a cash payment of £54m.

Nov

Properties were the forerunner in the early general advance, claiming considerable interest from both institutional and speculative buyers which soon uncovered stock shortages. Combined hopes of an imminent property revalua-tion, a higher bid from Rodameo or even the emer-gence of a "white knight" sent Hammerson issues rolling with the "A" closing 14 up at 898p,

after a session's high of 910p. Other potential takeover candidates made strong advances, with Imry Merchant gaining 17 to 445p amid revived suggestions of a management buy-out. Great Portland, still market favourite for the next bid, jumped 7 more to 394p, after 492p, while Greycout rose 11 to 435p and Randsworth 10

The leaders also progressed. Awaiting today's preliminary statement, MEPC moved up to 569p: Hoare Govett forecasts profits of £103m compared with £80.2m. A property revaluation is also expected and could reveal a new NAV figure of between 670p and 710p. Impressive annual results

lifted Hardanger 20 to 700p - a substantial premium on the latest NAV of 425p - while Speyhawk, chosen jointly with the Alton group to develop a West Midlands urban regeneration site, put on 5 to 805p. The oil and gas sector put on

continuing worries that the recent OPEC agreement on output quotas and pricing may not be able to stick. But crude all prices held up well, and were little changed towards the close of business in Lon-

in Wimpey may well be up for sale at the right price; turnover The only major turnover. in Wimpey was 1.7m. Empire Stores rose 7 to 219p 82m shares, came in British Gas, a poor performer in recent

weeks, but there was little movement in the share price which closed unaltered at 157p. recommendations gave a fur-ther boost to a buoyant hanks sector. Morgan Grenfell, in its latest Financial Monthly publication, advises clients to buy Lloyds and NatWest among the

> performance has made it vulnerable to takeover. The shares

rose 4 to 70p.
Turnover in the electronics

Amstrad, with 3.1m traded, picked up 2 to 154p — "due for a bounce," dealers said - while keen buying of the ADR's lifted Racal Telecoms to 160p. Ferranti shaded 1½ to 96p as dealers adjusted their books

dealers adjusted their books ahead of today's interim fig-ures. BSR crept higher with the shares finally 2% up at the snares many 2% up at 64%p - "plenty of buying via the inter-broker dealer screens, it looks as though something interesting could be about to happen," said one dealer. The agreed £11.6m bid from Irish Wire saw Questel shares soar to 243p before settling a net 30 up at 235p.

Courtaulds' was non-beneficiaries of

448p as the market absorbed a the same period a year ago. In the Foods sector, Kwiksave reported good results and rose 3 to 360p. Siebe shares fell 5 to 376p on

FINANCIAL TIMES STOCK INDICES

97.24 96.97 97.00

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1381.08 1176.41

TRADING VOLUME IN MAJOR STOCKS

12.10 10.10 20,489 1009.27

4.90 12.30 9.85 24,088

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The following is based on trading volume for Alpha accurities dealt through the SEAQ system resterday until 5 pm.

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97.19

4.89 4.90 12.30 12.33 9.84 9.82 21,642 21,928

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DAY'S LOW 1458.0

Opening 16 am. 11 am. 12 pm. 11 pm. 22 pm. 3 pm. 44 pm. 1461.1 1461.1 14629 1462.7 1462.8 1463.1 1463.2 1460.2

lost momentum at 158p in reduced turnover. On Tuesday 3.4m shares were traded and there is persistent speculation that a takeover bid may not be far away. Courtaulds' was one of few

shares suffered as institutional and other investors continued to lighten their holdings, heeding analysts' concerns over the medium term outlook for the group. The sales pushed the price down gradually to a fresh 1988 low point of 257p, for a day's fall of 31/4, after turnover

market improvement. The

THORN EN

Activity in traded options reached the modest total of 33,397 contracts, but was dominated by trading in the FT-SE 100 index contract, which accounted for almost half the overall turnover,

of 3.1m shares.

including FT-Actuaries Share Index and London **Traded Options, Page 25**

Other market statistics.

NEW HIGHS AND LOWS FOR 1988

768 (1) Gm ERTY (4) Fragmore Est., Har STYMPLETY, Ward Hadge, CHEMICALS (5) STYMPLETY, Ward Hadge, CHEMICALS Engalizate, STORES (2) Pitty Design Gry Summer Int., SLACTRICALS (5) Sharest Comp., Web, Select, FOODS (1) Streems (100) STRALS (6) Keep Tes, Kleen-S-Ze Hidge, Particleid Grp., SLE, Loud-Labour, Tamprie, MOTIPSS (7) Spice, NEWSPAPSS (1) Quarte, Grp., PAPPERS (2) Husterpriet, Obsories 4, Libies, SMEPSSO (7) Lon, & O'Sent, Fries, S' Chd., TEXTILES (5) Coutsuite, Teorifol, Jery, TRUSTS (6) TRICK, Bilderobsology less.

International Distillers and Vintners. He continues in his present post and as chairman of the production division board, Mr Richard J.

Hollinghurst, has been appointed director of brewing.

at Mortiake, Brick Lane, Halifax, and Trowbridge. He is production site director at

Halifax. Mr Ian Kirkhope becomes director of production services, responsible for

logistics planning, bottling and

and technical services. He was brewing services director for the Brewing Research Foundation at Nutfield, Surrey.

Dr Keith Tarbuck has been

CATER ALLEN has appointed Mr E.R. Jewson as a director with

directors, and is succeeded by

■ Sir Fred Pontin has stepped down as chatman of PONITS

manager of Barclays Prime business centre. Sir Fred, who

and been succeeded by Mr

is recovering from a major

per cent interest in the

company. Ponti's plans a

operation, remains on the board and has retained his 20

Derek Edwards, who was

Mr M.L. Peters, who was a

responsibility for the commercial paper business He was assistant to the

appointed IDV technical

caming production, and primary distribution as managing director of Brewliners. Dr J.P. Murray is made director of research

hold, while Bass was lightly supported ahead of its figures next Wednesday and rose 6 to 784p. Grand Metropolitan climbed 5 to 451p on talk that the Pillsbury bid might be The Building sector moved up strongly at first, "very squeezy" traders said, but later

came back on minor selling pressure. George Wimpey made further progress, jumping to 253p at one point before ending the day a net 4 % higher at 247p as speculators revived the old story the the Grove Charity Trust 35 per cent stake

APPOINTMENTS

Beazer deputy chairman

Mr John Matthews is to become deputy chairman and deputy chief executive of BEAZER, the building and aggregates group, writes Philip

Aggregates group, writes range Coggan.

Mr Matthews was already a non-executive director of Beazer since he had been financial adviser to the group for the past nine years in his capacity as a director of the merchant bank, County Nat-

The post at Beazer will involve Mr Matthews stepping down from his executive duties at County, though he will remain as a non-executive director.

Mr Matthews said he had been in merchant banking for 20 years and welcomed the

challenge of a new job. He would be advising the group on strategy and finance. Also joining the Beazer

Mr David J. Henton has been appointed finance director of NOBLE RAREDON. He was finance director of Sintrom. Mrs K.M. Brass has

 UNITED ENGINEERING STEELS has appointed Mr Boy Pelbam as managing director of Chesterfield Cylinders from January 2. He is operations director of Norgren Martonair. part of the [MI Group.

 Mr Stephen L. Kalman, senior executive of the



Mr John Maithews

board are Mr Roy Turner, the chief financial offer of the US building materials division and Mr Michael Whittles, who has been Beazer's stockbroker for

development arm, has been appointed to the main board of THE BRITISH LAND

■ Mr Ken Crago has been appointed chairman of P.I. HARE, Bristol, He was managing director of Edwards Pearson and now runs his own management consultancy,

Mr David A. Hardie, production director of GRAND METROPOLITAN BREWING. takes responsibility for beer wine and spirit production at

Top posts at Gallaher

Mr A.D. Househam will be appointed chairman and chief executive of GALLAHER from February 1 when Mr S.G. Cameron retires. Mr P.M. Wilson will be appointed



Mr A.D. Househam

Househam is deputy chairman (non-tobacco). He has been chief executive of many of the subsidiary companies, and joined the main board in 1981. Mr Wilson is deputy chairman (tobacco) and will continue as chairman and chief executive of Gallaher Tobacco. He joined the main board in 1986. Mr Househam will also join the board and executive committee of American Brands Inc., Gallaher's parent flotation on the USM next year. : company.

The Broken Hill Proprietary Company Limited

This announcement oppears as a matter of record only.

BHP

International Secondary Offer of 70,408,223 Ordinary Shares of A\$1.00 each

Placed on behalf of subsidiaries of **Bond Corporation Holdings Limited**

MORGAN STANLEY INTERNATIONAL

SALOMON BROTHERS INTERNATIONAL

SBCI SWISS BANK CORPORATION

J. B. WERE AND SON

BANQUE PARIBAS CAPITAL MARKETS CAZENOVE & COMPANY GOLDMAN SACHS INTERNATIONAL

McIntosh Hamson Hoare Govett International

S. G. WARBURG SECURITIES

November, 1988

CROSSWORD

No. 6,800 Set by CINEPHILE

ACROSS

ACROSS

1 Spoil French invalid before punishment by beast from Seville? (9.3)

10 Cue (for example) in trouble relating to breeding (7)

11 Pictorial superimposition on label kept by compiler (7)

12 Worker overhead again set fire to back (5)

13 Bit of mast, but hence fruit is included (5.3)

15, 16 Turn Hitler off hotel out of devilment (3.3,4.2.2)

18 Boat on river astem (4)

20 Sort of vault—to bowl

about (a)
24 Scouts, maybe, to do with
colour? (5)
26 Put-up job for such a marvellous newspaperman?

(4-3)
27 Love travels, maybe from
Seville (7)
28 Sum up peculiar Tate exhibition (12)

DOWN

2 An unfinished sea bird on a river with sharp bends? (7)

3 Rule of one compiler's about backing no part of bridge (8) 4 Draws have it look to northern audience (4)
5 Demand changed situations: statistics are still worse

followed by 'ammerer, one might say (5) 7, 21 Does it run on imaginary

17 See dance, not plain at billiards (4,4)

Solution to Puzzle No.6,799

(6,4) 6 Hard-bitten person might be

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For Eastern ... 4.14.95 118.70 126.2.9 149.10 32.70

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High income ... 6104.95 118.70 126.2.9 149.10 127.00

Hearth American ... 6104.97 94.11 165.77 4452.2.97

Tat of for Tists ... 6105.56 67.75 93.32 -0442.36 7, 21 Does it run on imaginary lines? (5,2,7)
8 (4) Pessimistic good wish for national cream? (4,2,7)
9 Turn where the sign is, having started badly (4,2,3,4)
14 Clue for cup, possibly: a little billiards? (1,7,2)

18 Boat on river assem (4)
20 Sort of vanit — to bowl long-hops? (10)
21 Twenty cows wildly rushed about (8)
24 Scouts, maybe, to do with colour? (5)

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The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The nation at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much nerrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of onlis over hugers. This is the control of the cancellation price in circumstances in which there is a large excess of sellers of onlis over hugers. The time shown alongside the fund manager's name is the flower p- 0001 to 1100 bears; 4 - 1100 to individual unit trust name. The symbols are est follower; 9 - 0001 to 1100 bears; 4 - 1100 to 1100 bears; 4 - 1100 to 1100 bears; 4 - 1100 to 1100 bears; 5 - 1100 bears; 6 - 1700 bears; 6 - 1700 bears; 6 - 1700 bears; 7 - 1000 bears; 7 - 1000 bears; 7 - 1000 to 1100 bears; 7 - 1000 bears; 8 - 1000 to 1100 bears; 8 - 1000 to 1100 bears; 8 - 1000 bears; 9 - 1000 to 1100 bears; 9 - 10

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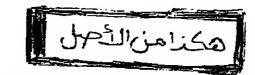
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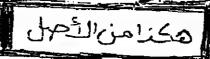
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FINANCIAL TIMES THURSDAY DECEMBER 1 1988 FT UNIT TRUST INFORMATION SERVICE LONDON SHARE SERVICE FOREIGN BONDS & RAILS BRITISH FUNDS - Contd **BRITISH FUNDS** Price + or Yield 33 Greek 7pc Ass 33 Oo. 6pc 28 Stb. Ass...... 33 Oo. 6pc Mired Ass...... 63 Hisag: '24 Ass..... 28 B Hydro Quebec 15pc 2011 'Skarts'' (Lives up to Five Years) 2.43 18.14 +0.63 7.84 -0.01 **AMERICANS** ty & Law Intl Life Asses Co Ltd dep Amer Fiel' New S17.59 19.12 Sethiekera Steel \$8. o-Rad Labs. Inc. "A" nwater loc...... owning-Ferris 16.6c. unswick 75c..... Prospective real redemption rate on projected inflation of CD 10% and CD 5%. Ob Figures in parentheses show RPI base month for indexing, ite 8 months prior to bases and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3,945. RPI for March 1988:104.1 and for October 1988:109.5 INT. BANK AND O'SEAS **GOVT STERLING ISSUES** Five to Fifteen Years Gravita Trust 207665152200424473488206519057406 207665152200424473488206519057406 207665152201522406520057406 20766515220057406 **CORPORATION LOANS** | 100 to | 1 in lint Ass Ltd **COMMONWEALTH &** Berrington Mastel (CD) Berrington Fd (CD) Berrington Fd (CD) Berrington Fd (CD) Fd (CD **AFRICAN LOANS** 102 103 103 103 103 1.57 LOANS Gain Hedge II. SUPV.TO Gardymere Fd Mineys (Fer East) List (a)th) Activate Ttd New 25... 59.4.00 4.725 A. American Ttd New 25... 59.4.00 4.725 II. American Tt New 25... 59.4.00 27.4.046 Factific Ttd New 25... 302.466 Factific Ttd New 25... 302.466 Factific Ttd New 25... 302.466 Factific Ttd New 25... 302.469 Japan Warrant New 30... 35... 35... 365 Houge Long For New 30... 327.769 Japan Warrant New 30... 35... 36.5 Minespect Ttd New 25... 323.779 Japan & Minespect Res 20... 398.800 Japan 4... 302.600 Premium Life International List PO Set 141. St Pater Port. Correct Satternation | 1840 ofer Fond Mont CD Lid (2017), 10.95 10.254 0.01 Daily, 20.50 26.22 0.01 109, 314.68 17.65 0.03 7.31 Web. 61.41 7.49 5.37 Public Board and Ind. MFM Ltd Marksmen init Asset F4... \$13.807 13.847 Marksmen init Asset F4... \$13.807 13.847 Marksmen init Asset F4... \$2.38.00 13.547 Marksmen init Gath F4... \$2.384 25.514 Marksmen UK F4 \$1,757 1,757 Markaten UK Paraman Litel Atlantic Ex Nov 29, ... \$14.09 Asstration Ex Nov 30, ... \$3.70 Gold Ex Mov 30, ... \$38.06 40.07 (Accuma, Bolts) 356.29 69.70 pu) Life light. List 649.6 40.9 2.33 1229.7 +1.7 2.33 1.23d 77.0d 48.1 69.2 \$10.68 11.23 \$7.64 8.04 \$7.92 10.44 \$4.69 4.94 \$55.39 26.62 \$16.69 17.56 \$12.90 13.57 | 1984 | -0.4 | 0.55 | 500.2 | -2.9 | 0.28 | 120.000 | 12.00 | 12.00 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | 12.50 | est Plus Fand J\$9.22 9.65 English of the second of the s THE RESERVE THE PARTY OF THE PA

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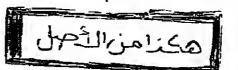


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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound rises above DM3.21

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SELLING OF sterling by the Bank of England was seen again in London yesterday, but it failed to prevent the pound rising to its highest level against the D-Mark since mid-

August.
Sterling rose to DM3.2125 from DM3.2000, with dealers suggesting that the Bank of England's intervention was modest, and seemed aimed at smoothing, rather than halting the rise. ing, the rise.

Further comments on the UK economy by Mr Nigel Law-son, the Chancellor, before a Treasury and Civil Service Select Committee, underlined the Government's priority in fighting inflation, but appeared to add nothing new to policy, and came too late to have any direct impact on the London

High UK interest rates, and the Government's commitment to keep rates at such levels until inflationary pressures ease, also pushed the pound up to SFr2.6900 from SFr2.6775; to Y225.50 from Y225.00.: and to FFr10.9775 from FFr10.9250. Sterling's exchange rate index, on Bank of England fig-

ures rose 0.3 to 78.3. The dollar was also strong, resulting in a fall of 20 points to \$1.8505 in the pound's value against the US currency.

The dollar began to fall back. in late trading however, after

2 IN NEW YORK

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£Spot 1 month 3 months 12 months	1.8415-1 0.50-0 1.43-1 4.80-4	49cm 41cm	0.1	35-1.8445 54-0.52pm 60-1.57pm 52-5.42pm
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CURRENCY RATES

Mov.30	Bank rate %	Special* Drawing Rights	European Currency Unit,
Sterlies		0.741975	0.647754
U.S Dotlar	6.50	1.36746	1.19524
Canadian 5	8.75	1.63362	1,41934
Austrian Sch	4	16.6693	14.6177
Belgian Franc.	74	49.6730	43.5454
Danish Kroee	74	9.13532	8.00569
Dentsche Mark .	312	2,36940	2.07828
Neth Guilder	4	2.67407	2.34362
French Franc	912	8 09673	7.09970
Italias Lira	125	1756.40	1536.48
Japanese Yes	24	167.035	146.022
Morway Kroet	8	B.88849	7.75409
Spanish Peseta		154.5B3	135.600
Swedish Krona	812	8.24100	7.20423
Swiss Franc.	. 3	1.97940	1.74026
Greek Drach	20½	197.324	172,951
brish Pourt		0.886579	0.776884

"All SDR rates are for Nov.29

Nov.30	Bank of Morg- England Goars Index Change
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Argentina	23.5810 - 23.7555	12.7700 - 12,850
Australia Brazil	2,1065 · 2,1095 1080,65 - 1086,45	1.1420 - 1.1430 585.15 - 588.18
Figland	7.5430 - 7.5655	4,6880 - 4,0900
recce	264.95 - 269.95	143.55 - 145.65
long Kong	14.4120 - 14.4255	7.8030 - 7.8050
T20	124.25	66.75
Corcelsto Concelt	1242.65 - 1272.85 0.51670 - 0.51720	684.70 · 690.30 0.27985 · 0.2799
Transported		36.30 - 36.40
Valarsia	4.9340 - 4.9460	26720 - 26770
Mexico	4217.65 4229.85	2284.00 · 2290.0
i, Zealand (aud) Ar	2.8155 - 2.8205 6.9270 · 6.9330	1.5245 - 1.5266 3.7315 - 3.7525
Saggeore	3.5945 - 3.6020	19455 - 19485
S. Al (Cm)	4.2460 - 4 2570	2,2970 - 2,3000
Af IFe)		3.6365 - 3.6695
3/w30	51.80 - 52.05	28.10-28.20
AE	6.7810-6.7870	3.6725 - 3.673

the pace of economic growth is slowing. This acted as a dampening influence on speculation that the Fed is about to increase its discount rate.

Friday's figures on November US employment trends will be looked at for further guidance on whether the dollar continues on its upward path.
The market expects an unchanged unemployment rate of 5.3 p.c., and the median forecast for the rise in non-farm payrolls is around 250,000, com-

pared with 323,000 in October. If the employment figures remain strong it will support the dollar, by renewing specu-lation about a rise in the dis-count rate, but a weak figure is likely to result in renewed downward pressure on the currency, according to dealers.

man Boar abou coun

of the rd, was at a possibilit rate, ment.	reenspan Federal l asked ye ble rise in hnt decli se in Lon	Reserve sterday the dis- med to	dian gross domestic products was 0.2 p.c. in Septem against 0.6 p.c. in August, the growth rate in the tiquarter was an annualised p.c., compared with 4.0 p.c the second. RRENCY UNIT RATES				
EMS E	UROPE	AN CUR		UNIT RAT	ES .		
	Equ central	Currency amounts	% change from	% change adjusted for	Olvergence		

	Equ central rates	Currency amounts against Ecu Nov.30	% change from central rate	% change adjusted for divergence	Olvergence (April %
dan Franc	42,4582	43.5454	+2.56	+0.79	±1.5344
	7,85212	8.00569	+1.96	+0.19	±1.5404
	2,05653	2.07828	+0.96	-0.81	±1.0961
	6,90403	7.07970	+2.83	+1.06	±1.3674
	2,31943	2.34362	+1.04	-0.73	±1.5012
	0,768411	0.776884	+1.10	-0.67	±1.6684
	1483,58	1536.48	+3.57	+2.49	±4.0752

Nov.30	Day's Spread	Close	Ose worth	% p.a.	Three months	% P.E.
	18435 - 18518	1.8500-L8510	0.56-0.55cpm	3.66	1.72-1.67pm	3.66
arta	21915-21995	21955-21965	0.57-0.41com	268	1.30-1.16pm	2.2
herlands .	3.60% - 3.63	3.62-3.63	212-214 com	7.86	62-6700	7.24 5.59
glow	66.95-67.40	67.20 - 67.30	39-28cma	5.98	101-87pm	2.5
umark	12.33½ 12.38 1.1%0 1.2000	12.37 · 12.38 1.1990 · 1.2000	6-5orepm 0.60-0.56opm	533	154-144pm 150-140pm	4.9
and Germany '	3.20 - 3.21 5	3.21 - 3.215		部	1-30-1-40pm	7.47
tugai	265.25 - 266.95	265.90 - 266.90	21 ₄ -21 ₈ pipes 130m-13lireds	an l	61g-57g pm	-0.77
in	208.50 - 209.95	208.90 - 209.40	53-36com	2.55	33-69dis 104-77am	1.73
y	23654 -23754	23741 - 23754	3-2lirgon	128	8-60m	Lie
	11.964 - 12.004	11.99 - 12.00	13-50000	100 1	24-14:00	250
way	10.934 18.984	10,974 - 10,984	45-45-00	0.94 4.92	125 12 60	45
der	11.114 11.15	11.14 - 11.15	25-2 stream	2.62	74-64 pm	253
201	2244 - 226	225-226	14.15ypm	8.98	44-44 pm	8.20
ria	22.51 22.61	22.58 22.61	15 2-140 com	7.83	4212-3914pm	7.23
terland.	2675 - 2695	2684 . 2694	13-11-com	8.09	54-54pm	7.99

Nov.30	Day's suread	Close	Ose worth	% D.L.	Three	7.	
UK†	1.8435 - 1.8510	1.8500 - 1.8510	0.58-0.55com	3.66	1.72-1.67gm	3.6	
reland!	15370 15420	1.5370 - 1.5380	0.38-0.43cdis	-3.16	0.96-L06dis	-2.6	
anada	11860 - 11890	1.1880 - 1.1890	0.05-0.10clis	-0.76	0.40-0.44dis	-1.4	
letherkunds .	1.9530 - 1.9620	19580 - 19590	0.73-0.70cpg	4.38	1.85-1.82nm	37	
elglem	36.25 - 36.45	36.30 - 36.40	9.00-7.00com	2.63	21.00-18.00om	2i	
ennark	6.67% - 6.70%	6.681 - 6.69	1.15-0.85creon	179	2,30-1,90pm	12	
/. Germany	1.7315 - 1.7405	1.7355 - 1.7365	0.67-0.64ptpm	4.52	1.78-1.74pm	4.0	
ortugal	1434 - 144	1434 - 144	35-55cdls	-3.75	125-175dk	-41	
palq	113.00 - 113.60	113.05-113.15	5-15cdls	-1.06	45-55ds	-1.7	
aly	1280-12864	12824 - 12834	2.10-2.60 liredis	-2.19	7.30-8.30ds	-24	
Great	6.4712 - 6.4912		1_30-1_80oredis	-2.87	5.20-5.70dk	-3.3	
rance	5.914 - 5.944	5.93 - 5.93 2	0.78-0.73cpm	1.53	1.55-1.40pm	0,9	
redes	6.014 - 6.034		0.40-0,55oredis	-0.95	1.55-1.85ds	-1.1	
apan	121,70 - 122,20	121.85 121.95	0.57-0.54ypm	5.46	L46-L43pm	4.7	
ustria	12.19 12.234		4.80-4.40grosm	4.51	12.25-10.75pm	3.7	
witzerland .	1,4465 - 1,4580	14525 14535	0.59-0.56cpm	4.74	1.59-1.54pm	4,3	

EURO-CURRENCY INTEREST RATES									
Nav.30	Short, term	7 Days police	One Month	Three Months	Six Months	One Year			
serling S Bellar an, Oolter L Guilder M. Franc L Guilder M. Franc L Guilder M. Franc L Guilder M. Franc L Fr. (Fich L Fr. (Fich L Guilder M. Krone Saan SSieg	13-124 84-84 94-95 44-45 5-45 12-16 64-65 75-65 75-65 75-65 85-65	13-12-4 82-83-1 93-93-1 54-93-1 43-43-1 12-11-1 71-7 74-4 73-4 73-8	13-12% 93-93 102-93 55-43 55-43 53-83 124-11% 73-77 43-43 874-93	134-94-134 94-94-13-14-14-15-14-14-14-14-14-14-14-14-14-14-14-14-14-	134-94-195 93-94-195 93-95-95-95-95-95-95-95-95-95-95-95-95-95-	134-128 92-98 11-184-54 54-54 85-84 12-17-74 74-74 85-84 85-84 85-84 85-84 85-84			

W) 7 4-2	& ha can	HUTTENG.	JAMEL CO.	I I ONE OF C	Call 1gr ()	- COLLEGE	ne vehenc	20 PCU, UL	er, orea	do word	
	EXCHANGE CROSS RATES										
Nor.30	£	s	OM	Yes	F Fr.	S Fr.	HA.	Ura	C S	8 Ft.	
Š	1 0.540	1851	3.213 1.736	225.5 121.8	10.98 5.932	2.690 1.453	3,625 1,958	2375 1283	21% 11%	67.25 36.33	
OM YEN	0.311 4.435	0.576 8.208	1 14.25	70.18 1000.	3.417 48.69	0.837 11.93	1.128 16.08	739.2 10532	0.683 9.738	20,93 298.2	
F Fr. 5 Fr.	0.911 0.372	1.686 0.688	2.926 1.194	205.4 83.83	10. 4,082	2.450	3301 1348	2163 882.9	2.000 0.836	61.25 25.00	
H FL Lira	0.276 0.421	0.511 0.779	0.886	62.21 94.95	3.029 4.623	0.742 1.133	1.526	655.2 1000.	0.606	18.55 28.52	
C 5	0.455	0.843	1.463	102.7	5.000	1.225	1.651	1082	1	30.62	

BAN-STEID BIG \$6 per E 0 Fr. 1.487 2752 4.778 335.3 16.33 4.000 5.390 5532 3.265 100. Yen per 1,000: French Fr. per 10: Lira per 1,000: Reloian Fr. per 100.

FT LONDON INTERBANK FIXING

MONEY MARKETS

Firmer trend

UK RATES edged up slightly in London yesterday, mainly on technical adjustments ahead of the month end. The key three-month interbank p.c. from 13½ 12½ p.c. Dealers suggested that roll-over activity in the periods helped rates to maintain the firmer edge already established, after com-ments by Mr Nigel Lawson, the UK Chancellor, who stressed that bank base rates would be kept at a high level in order to control inflation.

The Bank of England fore-

cast a ahortage of around £1,400m, which was later UK clearing bank hase lending rate

13 per cent from Morecuber 25

late assistance and a take up of Treasury bills, together with bills maturing in official hands draining £1,050m. Exchequer transactions took out a further £155m, and there was a rise in the note circulation of £150m. In addition, banks brought for-ward balances £25m below tar-

get.
To help alleviate the short-age, the Bank offered an early round of assistance, which comprised outright purchases of £34m of eligible bank bills in band 4 at 12% p.c. The Bank also arranged sale and repurchase agreements on £405m of sale and repurchase facility bills at 12% p.c., unwinding on with the Bundesbank.

December 12. The Bank gave additional assistance in the morning of £431m, through outright pur-chases of £158m of eligible bank bills in band I at 12% p.c. and £42m in band 2 at 1213 p.c. In band 3, it bought £1m of Treasury bills and £22m of eligible bank bills at 121 p.c., and in band 4, £142m of eligible bank bills at 12% p.c. It also agreements on £66m of bills at 12% p.c., unwinding on December 12. arranged sale and repurchase

Further help in the after-noon came to £511m, of which £426m was through outright purchases of £5m of Treasury bills and £300m of eligible bank bills in band 1, 273m of eligible bank bills in band 2, 247m in revised to £1,500m and then to £1,450m. Factors affecting tha market included repayment of repurchase agreements on £85m of hills on the same terms as the earlier agreements. Late help came to £90m, making a total of £1,471m.

Short term interest rates

rose sharply in Frankfurt, as commercial banks bid aggressively for funds ahead of the month end. Call money was pushed up to 5.10 p.c., resulting in many hanks borrowing funds through the Lombard funds through the Lombard

facility at 5 p.c.

Lombard borrowing on Tuesday totalled DM6.2bn, despite a surprise injection of DM3bn on Monday through a four-day

(22.00 a.m. Nov.30) 3 months US dollars bid 92 offer 92 The fixing rates are the artitizantic means rounded to the sourcest one-distinction, of the bid and offered rates for SLDm quotied by the sametime to five reference banks at 11.00 a.m. each working day. The banks are Rational Westinfoster Bank, Bank of Todyo, Dechadae Bank, Bangeo Retional de Paris and Morgan Gustenburg Trust. MONEY RATES **NEW YORK** Treasury Bills and Bonds (Lunchtime) Prime rate _____ Broker loan rate _ Fed. funds at luter Nov.30 15470 11-51 12-53 4,85+5,00 61-61 531-543

114-124 74-74 75-74

LONDON MONEY RATES								
Nov.30	Overnight	7 days notice	One Month	Three Months	Sia Mooths	Ope Year		
nterbank Offer sterbank Sid sterling COS	131, 12 13 13	131, 124, 124, 121,	13 4 5 5 60 12 12 12 12 12 12 12 12 12 12 12 12 12 1	131212121212121212121212121212121212121	11111111 1111 12111 121111 121111 121111 12111 12111 12111 12111 12111 12111 12111 12111 12111 12111 12111 12111 12111 12111 12111 121111 12111 12111 12111 12111 12111 12111 12111 12111 12111 12111 12111 12111 12111 12111 121111 1	131 121 121 121 131 134 - 9.50-9.49 7.7 7.7 8 7.7		
Treasury Bills (sell); uner-paneth 12% per cer discount 12% per cer discount 12% per cer discount 12% per cer discount 12% per certain for 15% per certain 11%	it; three mo CGO Fixed period Decem p.c. Referent p.c. Local As mes Base R: 4 per cent. I th 7 ½ per ce	oths 12% (Rate Sterile nber 26,196 te rate for p thority and te 12½ for Certificates ont, one-thre	per cent; Tri og Export F1 88 to Jamus eriod Noves Finance Ho om Decemba of Tax Depo te months 9 p	easury Bills; nance. Make ry 24 , 1985 aber 1,1988 ases seven d r 1 , 1988: sit (Series 6) per creat (ber	Average te e up day No i, Scheme I: to Novembe ays' notice, Bank Depo: i) Deposit E: ays's mostle	nder rate (wember.30 13.27 p.c r 30 , 198; others save sit Rates fo 100,000 ar r 9 per cep		

73-73

115-12 13-71 73-81

FINANCIAL FUTURES

Prices fall in thin trading

fears of higher interest rates as

part of the Government's commitment to controlling infla-

Long gilt futures were less affected by the bearish tone, but came off opening highs, to finish unchanged on the day.

US Treasury bond futures

上层写的的方名

Estimated volume total, Calls 200 Pats 157 Previous day's open lot, Calls 1523 Pats 3442

PASSONAL SEL

87-28 87-17 87-06 86-29 86-20 86-13

92.00 92.21 92.20 92.14

Prev. 87-30 87-19 87-08 86-30 86-20 86-11 86-02

Dec Mar Jon Sep

Dec Mar Sep Dec Mar Sep Sep

DESTISCHE MARK (MAN) DBL125,000 S per DM

exacerbated after comment's hy Mr Nigel Lawson, UK Chancellor, which did little to dispel

from the US Federal Reserve Board, which auggested that the US economy is not growing as strongly as many analysts think. This relieved upward pressure on cash rates and allowed the December contract to move up to 88-01 from an opening level of 87-31, and compared with 87-26 on Tuesday.

Puts-10 Jan 0.55 0.55 1.50 2.00 7.00 11.15

1.30 2.45 4.50 7.50 11.35

90.67 90.86 90.83 90.75 90.60 90.65 90.55 90.52

High 90.70 90.89 90.85 90.77 90.62 90.67 90.54

LIFFE SHORT STEEL THE

TRADING VOLUME fell away in Liffe trading yesterday, reflecting current uncertainty over the outlook on UK interest rates. Despite sterling's firmer trend, three-month short sterling futures were undermined by a rise in cash rates and concern that bank base rates may be increased

again. The mood of uncertainty was

LIFFE LONG GELT FUTURES OFTIONS 25 14 25 120 24 46 66 509 509 534 214 116 418 Estimated volume total, Calls 300 Pats 1230 Previous day's open int. Calls 10792 Pats 14048

94-22 94-28 95-20 95-17

Estimated Volume 629 (782) Previous day's upon lat, 1083 (936)

Est, Vol. (Inc. figs. not shown) 14945 (12183) Previous day's open int. 59900 (58879)

THREE MONTH STERLING 6500,800 paints of 199%

nomic growth, and was sup-ported by a fall in the balance of payments deficit to C\$2bn in the third quarter, from \$2.39bn in the second. The rate of growth in Cana-

dollar

dollar had advanced to Y121.90 from Y121.45 and to DM1.7380 from DM1.7270. It fall back

from the day's peaks however, after failing to break through technical resistance at Y122.20

The dollar also rose to SFr1.4530 from SFr1.4450, and to FFr5.9325 from FFr5.8975.

According to the Bank of England the dollar's exchange

rate index rose to 92.6 from

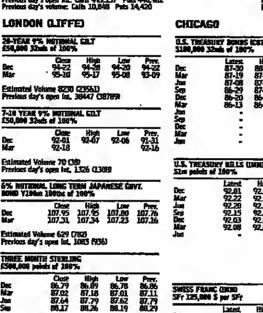
Canadian

remained strong, with the US dollar falling to C\$1.1885 from C\$1.1945. It shrugged off news of a slowdown in Canadian eco-

and DM1.7400.

	OPTEUMS courts per £					MODELLAR OF S of 201%
Strine Price 170 175 180 185 190 195 200	Calif-set Dec 1485 985 485 134 16	1485 965 496 201 57	Pats-se Dec 0 1 26 190 572 1057 1556	### 2 17 91 296 652 1106	Stribe Price 9000 9025 9055 9075 9130 9125 9150	Calls-settler Dec 72 48 26 29 3
Estimated Previous d	volume tot ty's open i	al, Calls 0 nt. Calls 1	Puts 0 28 Puts 3	E14	Estimated Previous di	volume total, ay's open int.
	PHIA SE		RS			
Strike		Calls			Pats	

Calls 150 Pats 100 Calls 5327 Pats 6467 Estimated volume total, Calls 795 Puts 1948 Previous day's open Int., Calls 32199 Puts 24932 LINGON SE SIS OFTIONS \$12,500 leads per \$1) Calb-1 Jan 16-15 11-15 6-25 4-90 2-40 105 Dec 0.35 0.30 0.30 1.00 3.40 9.75 17.60 Dec 15.65 12.90 9.95 4.90 1.40 4.25 0.45 14.60 12.10 9.60 7.20 4.78 2.73 1.40 013 013 054 054 108 109 3.05 11.30 7.20 4.20 3.05 1.65 ated volume total, Calls N/A Pots N/A ns day's open int: Calls 253 Pots 272 ious day's open int: Calis 493.157 Puts 446,961 ious day's volume: Calis 10,848 Puts 14,420 LONDON (LIFFE) CHICAGO JAPANESE VEN (BILLE Y12.5m \$ per Y100



91.99 92.19 92.17 92.10 91.98 92.04 92.02 92.03 92.24 92.21 92.15 92.03 92.08 92.01 92.22 92.20 92.15 92.03 92.08 SWESS FRANC (IKN) SFr 125,000 S per SFr

87-30 87-19 87-08 86-29 86-20 86-13

Tiose High Low Prev, 180.45 181.00 180.00 179.60 182.10 182.70 182.10 181.40 nme 3206 (2811) open lot. 16950 (17055) Est. Vol. (Inc. figs. not shown) 6948 (5783) Previous day's come int. 48197 (47876) US TREASURY BONDS 8% \$100,000 32mb of 190%

Close High Lose Pres, 88-01 88-04 87-27 87-26 87-24 87-19 87-14 87-11 86-26 Estimated Volume 9687 (10134) Previous day's open int. 12431 (13028) Close High Low 96,68 96,73 96,62 96,03 96,04 95,90 95,45 95,48 95,48 Estimated Volume 4862 (6749) Previous day's open lat. 12077 (11421) POURID-S OFOREIGN EXCHANGED 1-mth. 3-mth. 6-mth. 12-mth. 18449 18336 1,8173 1,7920

Notice

To the holders of the

A\$50,000,000 13%% Notes Due 1990

DSL Bank Deutsche Siedlungs- und Landesrentenbank

NOTICE IS HEREBY GIVEN that at a Meeting of the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") convered and held on 29th November, 1988, the resolution set out in the Notice of adjourned Meeting dated 16th November, 1988 and published in the Financial Times and the Luxemburger Worf on that date was duly passed by the requisite majority as an Extraordinary Resolution of the Noteholders.

Notice of Intended Substitution of Debtor

NOTICE IS HEREBY GIVEN pursuant to Clause 27(B) of the Agency Agreement dated 27th August, 1987 (the "Principal Agreement") and made between DSL Bank Deutsche Siedlungs- und Landesrentenbank (the "Bank"). The Chase Manhattan Bank, N.A. and others, as amended by a Supplemental Agency Agreement dated 29th November, 1988 (together with the Principal Agreement, the "Agency Agreement") of the intention of the Bank to effect the substitution for itself as principal debtor under the Notes of DSL Bank Luxembourg (the "Substitute Debtor"), a subsidiary of the Bank incorporated in Luxembourg.

On such substitution becoming effective, which is expected to be on 15th December, 1988 (the "Effective Date"), the Substitute Debtor will execute a Deed of Assumption (the "Assumption") whereby the Substitute Debtor wit assume as principal obligor all the obligations of the Bank arising from or in connection with the Notes and will deposit with the Bank at its Luxembourg branch the sum of ASSO,000,000 (the "Deposit"), being not less than the aggregate principal amount of the Notes outstanding (as defined in the Agency Agreement) on the terms of an agreement (the "Deposit Agreement") to be dated the Effective Date.

On the Effective Date, The Chase Manhattan Bank, N.A. (the "Trustee") and the Substitute Debtor will execute a Trust Deed (the "Trust Deed") whereunder the Substitute Debtor will covenant to charge the Deposit to the Trustee and the Substitute Debtor will assign the Deposit and the benefit of the Deposit Agreement to the Trustee, in each case in favour of the holders of the Notes and the Coupons. Thereupon, aubject to compliance with the procedures therefor set out in the Agency Agreement, the Bank will be released and discharged from its obligations and fiabilities under the Notes and the Coupons.

The substitution of debtor requires neither an exchange of Notes nor that the existing Notes be stamped in any way. The Notes will continue to be listed on the Lucembourg Stock Exchange and the former description "DSL Bank Deutsche Siedlungs- und Landesrentenbank A\$50,000,000 Notes Due 1990" will be followed by the description "(DSL Bank Luxembourg)".

Availability of Documents

Copies of the Agency Agreement and drafts of the Assumption (incorporating the text of the Conditions of the Notes as they are expected to apply following the substitution referred to above), the Deposit Agreement, the Trust Deed and a Second Supplemental Agency Agreement giving effect to the substitution are available for inspection by Noteholders at, copies of the Conditions as they currently apply are obtainable by Noteholders from, and following the substitution copies of the Conditions as then applicable will be obtainable by Noteholders from, the specified offices of the Principal Paying Agent, the other Paying Agents, the Transfer Agent and the Registrar, the addresses of which are set out below.

PRINCIPAL PAYING AGENT The Chase Manhattan Benk, N.A. Woolgate House Coleman Street London EC2P 2HD

PAYING AGENTS

Banque Bruxeiles Lambert S.A. 24 Avenue Marrix B-1050 Brussels

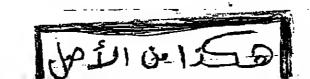
Berliner Handels- und Frankfurter Benk Bockenheimer Landstrasse 10 D-6000 Frankfurt am Main TRANSFER AGENT Chase Manhattan Bank Luxembourg S.A. 5 Rue Plaetts L-2338 Luxembourg-Grund

Chase Manhattan Bank Luxembourg S.A. 5 Rue Plaetis 1-2338 Luxembourg-Grund DSL Bank Kennedyallee 62-70 D-5300 Bonn 2

REGISTRAR The Chase Menhattan Sank, N.A. Corporate Trust Department 1 New York Plaza New York, NY10081

1st December, 1988

DSL Bank Deutsche Siedlungs- und Landesrentenbank.



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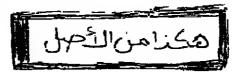
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WORLD STOCK MARKETS

AKSTRIA		HOME		·
Revenuer 50 Sch + or - Santa Sch	SERVICARY (continued) November 30 pm. + sc			CANADA
April	BASF SE21 42.5 Badework 183 41.5 Bager Hype 275.6 41.7 Bager Hype 275.6 42.5 Bager Hype 324 42.2 Bager Hype 324 42.2 Bager Hype 325 45 Bager Hype 325 45 Bager Hype 325 45 Bager Hype 325 45 Bager Hype 327 47 Biffinge A Berg 230 44 Bayer Bager 347 5 Bager Bager 347 5 Bager Bager 347 5 Bager Bager 327 43 Bager Bager 328 44 Bager Bager 328 45 Bager Bager 328 47 Far Kagel Schemet 328 48 Bager Bager 328 Bager Bager 328 Bager Bager 328 Bager Bager 328 Bager Bage	Predit Spa	205 55 15 15 15 15 15 15	TORONTO 2pm prices November 30 Constant of the second sec
	Springer Vily Rg 480	Den Norske Credit 76.00 -1 Do. Ptg	10,790 -25 1,665 -15 1,755 +15 3,125 -25 3,124 -21 4,600 -210	INDICES
Berindark	Second 178 1	Note	14750 170 14750	New
JAPAN Movember 30 Yes + ar November 30 Yes + ar Japan Radio 1,560 +20	Neverther 38 Yes + ac	Takara Shitto	Aust\$ + ex -	CANADA Nov Nov
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FINANCIALTIMES

AMERICA

Firm bonds help Dow rise further

Wall Street

QUIET optimism continued to prevail on Wall Street yester-day morning, as equity prices continued this week's winning streak, writes Karen Zagor in

Both equitise and bonds were largely unmoved by the release of the October personal income figures, which showed a higher than expected increase of 1.8 per cent. The release of the November unem-ployment figures on Friday was more likely to move the

market, analysis said.
At 2 pm, the Dow Jones Industrial Average was up 12.98 at points at 2,114.51. Volumes were modest

With the Dow Jones Industrial Average having made gains in seven of the last eight sessions, investors hoped that the market might continue its move upwards, provided there were no shocks in Friday's employment figures. On Tuesday, the Dow Jones Industrial Average topped the 2,100 level for the first time since November 10

Support for equities came from a moderately stronger bond market, where the Treasury's benchmark long bond improved by ½ point to 99%, a price at which it yielded 9.077 per cent. Analysts said the bond market was helped by the fact that the dollar had showed little change overseas and had continued to hold its own in US trading with no obvious help from central banks. While the personal income data for October did not make good reading for bond investors, the debt market, like the equity market, was focusing on the forthcoming employment data. The dollar was showing

slight improvement after slid-ing on Tuesday, but there was no sign of bullishness about the US currency in the foreign exchange markets. The currency markets, too, were likely to remain stalled until Friday's employment release, dealers

One factor encouraging both equity and bond investors was the continuing moderation of the oil market's response to the Opec production accord signed earlier this week. Jamu-ary oil futures were up 20 cents a barrel to \$15.12, while oil for delivery later in the new year actually declined slightly.

While the Opec agreement initially caused bullish senti-

ment among oil-exporting nations, this was countered by doubts about Opec members sticking to the quotas, coupled with the current over-supply and the possibility of all-out production before January, all of which could push prices

RJR Nabisco was the most active non-utility stock on the New York Stock Exchange for the second day in a row, adding \$2% to \$33, as investors awaited an announcement about the results of the recordbreaking buy-out anction for the tobacco and foods company. The betting on Wall Street appeared to favour the bid submitted by Kohlberg Kravis Robert, the largest US leveraged bny-ont company. This offer was said to be worth about \$102 or \$103 a share in

cash and securities Nellcor, a manufacturer of surgical equipment, medical instruments and apparatus, added \$1 to \$12% on over-the-counter volume of 514,000 shares — more than double the stock's recent average daily volume. The surge follow Nellcor's presentation at a Robertson Colman & Step-hens medical conference.

Holly Farms, the poultry producer, traded at \$53%, up \$1, as Tyson Food sweetened its bid for all of Holly Farms' common shares. Tyson is now offering a two-step takeover

worth \$57 a share. Union Carbide rose \$% to. \$25%, in spite of an announcement of a failed merger with

icone businesses into a joint venture company. The companies said no further action is planned. General Electric

gained \$% to \$45%.

A FIRMER Canadian dollar and strength in oil and bullion prices buoyed Toronto stocks in light early trading. The com-posite index gained 9.3 to

3,283.0 by midsession.
Banks, which have been reporting higher fourth quarter earnings, filled the most active list with Toronto Dominion risng C\$% to C\$35%, Canadian Imperial Bank up C\$% at C\$24% and Bank of Montreal gaining C\$% to C\$27%.

SOUTH AFRICA

A SHARP fall by the financial rand enabled gold stocks to close mixed to higher in Johannesburg yesterday. Trading was otherwise thin and featureless.

Southwasi gained R3 to R118 and Randfontein picked up R2.50 to R275, while Freegold alipped 25 cents to R29.25. Risewhere, mining financial Anglo American advanced R2.65 at R63, platinum stock Impala rose R1 to R35.25 and De Beers moved R1.15 higher

ASIA PACIFIC

Tokyo

Seoul rallies as pepper piles grow

Maggie Ford on the link between angry farmers and soaring stocks

Korea's main opposition leader, Mr Kim Dae Jung, is currently surrounded by barricades of sacks of red peppers, a prime ingredient of kim-che, the national food. Perched on the piles of per-pers are crowds of protesting farmers, demanding that the

liquidity follows a decision by the financial authorities to alter the method of calculating opposition does something about prices for their produce, which have fallen because of a the money supply and to stop issuing monetary stabilisation bonds, which have been used glut. Shoppers, meanwhile, have rushed to the market to to mop up liquidity.

These bonds, which securities firms and other institutional investors were forced to stock up while it lasts.
The connection between red

peppers and the boom in the Seoul stock market may not be immediately clear to the farmers or, indeed, to investors, who have seen a 26 per cent increase in the index over the buy, had been issued in such quantities that they threatened to bankrupt the central bank as interest payments on them became due. The central bank complained strongly.

An easing in the inflation rate – thanks partly to a fall in the cost of food which plays past month. But officials at the Bank of Korea, the central bank, will be aware of where the food factors coincide: for they are the custodians of the a hig role in the consumer price index - helped to spur the change of policy by the

money supply, which deter-mines both the liquidity in the economy and the growth in the authorities. rate of inflation. And pressure had also come Recently, the bank has released millions of dollars into from top business groups which said the Government's the economy, most of which plan to deregulate interest have gone into the stock mar-ket, raising the index in a few rates this year would cause a crippling rise in borrowing costs because of the shortage weeks from the previous sup-port level of 665 to a new high of 838.33 yesterday, up 2.26. The current boom has of liquidity.

The stock market boom has been further helped by govern-

increased market capitalisation to almost \$90bn, well past the Hong Kong market level and approaching that of Taiwan. South Korea Daily volume has increased 820 from an average value of 250m to \$650m.

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ment indicatious last month that it was seriously considering a new plan to open capital markets to more foreign investment. Foreign stockbrokers were depressed, however, by a report yesterday that a Ministry of Finance committee was suggesting 1992 as the appro-priate year for allowing direct foreign investment, a later year than earlier indications. It remains unclear how long the authorities will allow the

current rally to continue, espe-cially considering the unpleasant political consequences of Taiwan's spectacular rise only a few months ago. Government action to stem the rise there

1988 · Nov

by imposing a new capital gains tax — sent the Taiwan stock market plummeting.

Earlier this year, liquidity sorged into property speculation in South Korca, provoking a public outery about rocketing house prices. The Government moved swiftly then to regulate that market and epeculative funds were temporarily forced out of the system.

out of the system.

The present stock market enthusiasm has been helped by the continuing evidence of a strong underlying economy, allaying some investors' fears of a post-Olympic Gsmes slump. Economic growth is expected to reach more than 11 per cent this year, and the curper cent this year, and the current account surplus is projected at \$14bn, compared with

last year's \$9.8bn.

The market has also been helped by a slowing of rights issues. So keen is interest that buying has spread beyond the usual speculative trio of continuous financial and trading struction, financial and trading shares to blue chip industrials. No signs are yet ovident, however, that the South Kor-ean market is responding simply to fundamentals. It seems likely to continuo to rise until politics — in the form of red pepper farmers, angry shoppers or even central bankers combine to demand an end to the speculative bubble.

Rumours and results put paid to bourses' languor

pockets of speculation enlivened European bourses yesterday and most ended higher,

urites Our Markets Staff, FRANKFURT woke up from its early-week slumbers as New York's overnight gains and the steady dollar helped shares bound ahead in relatively active trading. At midsession the FAZ index was 5.12 better at 526.45, and by the close the DAX index was up 13.44 at 1,275.99 on turnover of shares

worth DM2.2bn.
Dresdnsr Bank closed
DM2.70 higher at DM296.20 before announcing that group partial operating profits for the first 10 months of 1988 had fallen 1 per cent to DM1.3bn. The bank also revealed plans to diversify into corporate finance, husiness consultancy and mortgage financing.

Commerzbank, which produced disappointing results on Tuesday, rose just 80 pfg to digested rumours that Spain's Banco Hispano Americano (BHA) wants to take a 5 per cent stake in the German bank. Commerzbank already

holds 10 per cent of BHA.
One salesman speculated that because it was unlikely that BHA would be able to huy the shares in the market, Commerzbank would have to issue new shares to accommodate its Spanish partner.

Retailer Asko dropped DM6 to DM722 against the trend on further rumours that Deutsche Bank wants an extraordinary audit into Asko's finances following problems the bank faced placing the retailer's recent DM866m share issue.

PARIS gained ground as speculation continued to buoy demand for Societé Génerale, which climbed FFr18 to FFr585 after reaching a record FFr588. Investors appeared to be sceptical about chairman Mr

Marc Vienot's remark to a newspaper that more than 50 per cent of the bank's capital was in friendly hands, and thought stake-building in the stock was continuing.

There was still concern in

after the October trade figures showed a deficit of FFr4bn, but the general feeling was that the domestic intervention rate would not be raised at today's securities repurchase tender. The CAC General index rose

0.4 to 390.9 and the OMF 50 index added 4.22 to 408.12.

MILAN gained ground in modest trading on the back of firmer overseas markets and receding currency worries. News of higher inflation was expected and did not upset sentiment, The Comit index closed up 4.78 at 578.92.

Ferruzzi group stocks were at the forefront of the market's rise, with Montedison climbing L20 to L1.950 on news of good earnings growth at its polypropylene producing unit Himont. Insurance concern Fondiaria jumped L850 to 69,050 amid continued positive reaction to its acquisition of a 25 per cent stake in West German insurer SIUISOF

AMSTERDAM closed at the day's high on the dollar's sharp rise against the guilder and Wall Street's overnight strength. The CBS all share index added 1.7 to 99.4.

Attention focused on ship-ping stocks as Nedlloyd jumped F1 13 to F1 238.50 on hopes of an imminent bid. Dealers were linking the Ned-lloyd activity with news that Holland America Line had sold its shipping and tourism activi-ties to Carnival Cruise Lines. Analysts suggest that the newly cash-rich HAL may use the money to bid for Nedlloyd. Trading in HAL was suspended

all day after the shares closed at FI 1,198 on Tuesday. ZURICH was helped higher by demand for registered stock, with the Crédit Suisse index adding 4.5 to 510.3.

Insurance companies were strong again, with Winterthur registered climbing SFr275, or 9 per cent, to SFr3,350. Its bearers lost SFr210 to SFr4,600. One analyst in London said there were rumours that UBS Zurich was offering Winterthur regis-tered stock in London against a gentleman's agree-

TUESDAY NOVEMBER 29 1988

ment not to sell registereds to foreigners because they are not allowed the vote which accompanies such stock. An afternoon meeting between Winterthur and UBS fuelled further rumonrs that Winterthur might follow Nestle's lead and open its registered stock to overseas investors, although the analyst doubted that would happen and said UBS was prob-

ably being chastised.

MADRID finished lower after a dull session during which trading was suspended in prop-erty group Vallehermoso and inmobanif, which are due to publish details of their merger. The general index fell 0.66 to 281.57. Property group Urhis saw large volumes as specula-tive trading turned to it, rising

4 points to 470 per cent of par. BRUSSELS was again domi-nated by heavy trading in Fahrique Nationale and Gechem, the troubled subsid-iaries of Société Générale de 19.8 to 5,361.7.

Gechem gained BFr44 to BFr630 on turnover of 36,500 shares and FN added BFr10 to BFr550 on 25,600 shares amid growing discontent among minority shareholders at the recapitalisation plans for the

recapitalisation plans for the two companies.

COPENHAGEN climbed to an all-time high in healthy volumes, helped by a strong bond market and speculative trading. The CSE index rose 1.37 to 252.22, with demand focusing on industrials and export on industrials and export

Continuing rumours of a concluding remotirs of a possible restructuring or buyouts sent Commercial Leasing, the ship leasing group, up DKr25 to DKr730, after it reached DKr775 at one stage. Sister company Ballin & Hertz, the property group, jumped DKr70 to DKr720, after reaching DKr775. The two have each risen by about 25 per cent in less than a month, says Brancor Securities Copenhagen.

STOCKHOLM saw share prices and volumes rise as bareair-hunters appeared cheered

gain-hunters appeared, cheered by gains in New York and Tokyo.

MONDAY HOVEMBER 28 1988

INVESTORS put aside their worries over higher interest

rates yesterday and stepped up their buying of equities to push the Nikkei average to another record high, writes Michiyo Nakamoto in Tokyo. The Nikkei average, which last posted a new high six trad-

ing days ago, made a strong advance to 29,578.90, up 260.60. More issues rose than fell – at 578 and 337 respectively – and 149 issues ended unchanged. The strong demand sent vol-umes substantially higher, to L62bn shares from Tuesday's 1.14bm. The TOPIX index of all listed shares firmed 16.60 to 2.285.75, and the ISE/Nikkei 50 index, which tracks the afterbours performance of 50 Japa-

nese shares traded in London, picked up 3.84 to 1.883.96. The strong gain in Tokyo on Tuesday and the overnight rise on Wall Street provided some encouragement. However, the main factor behind the gain was the receding fear of the negative impact of highe interest rates on the market. said Mr Hiroshi Taguchi of

Nomura Securities in Tokyo.

There had heen growing fears that the US Federal Reserve Board would raise the official discount rate, which could lead to an increase in interest rates in Japan. But the strength shown by Wall Street on Tuesday encouraged Tokyo investors, as New York did not seem overly concerned about the dampening effect of higher interest rates.

Furthermora, the Jspanes monetary anthorities largely dispelled the fear that a rise in US rates would lead to an increase in domestic interest rates. The feeling is that any US discount rate increase would be linked to the dollar'e weakness. It is therefore thought unlikely that Japan would raise its official discount rate in response to any US hike, as doing so could further weaken the dollar.

With interest rate worrles therefore put to the side, insti-tutional investors stepped up their activity, focusing on issues with high liquidity, such as steels and shipbuildings. Sumitomo Metal, the day's most active stock with 145m shares dealt, increased Y13 to Y786. Nippon Steel, second in volume at 109m shares, added Y9 to Y956 and Kawasaki Steel

increased Y40 to Y1,080.
Among shipbuilding issues,
Kawasaki Heavy Industries, third most actively traded at 91m shares, advanced Y15 to Y960. Mitsubishi Heavy Industries and Sumitomo Heavy Industries both rose to new highs during the day although they fell back later in heavy volume. Mitsubishi lost Y10 to Y1,070 after rising to Y1,090, while Sumitomo declined Y4 to Y956 after advancing to Y974. All three had risen on Tuesday on news that Japan and the US had signed a memorandum of understanding on the joint

development of the next gener-

ation enpport fighter for Japan's Self-Defence Force. Large capital issues were featured in Osaka where the OSE average gained 160.78 to

Nikkei hits peak as interest rate fears fade

Roundup

A MIXED day for Asia Pacific markets ended with Australia still hamstrung by the strong local dollar and high interest rates, Hong Kong rising on good property newe and Taiwan falling sharply on oil

price fears.
AUSTRALIA traded in a 5-point range as the market showed no inclination to break out of its recent doldrums. The strength of the Australian dollar and interest rate concerns kept most buyers at bay, although there was demand for selected takeover stocks. The All Ordinaries index eased 0.5 to 1,471.5 on turnover of 132m shares worth A\$292m. The day's only fresh bid

came from Bond Corp, which offered A\$2-a-share for former Holmes à Court unit JN Taylor. Bond already has 18.7 per cent of its target, but Bell Gronp, which owns 27.9 per cent of JN Taylor, has refused to sell its stake to Bond Corp. Confusingly, Bond Corp is the main shareholder in Bell Group, but one analyst thought the Bell directors were proving their independence by

blocking the bid. Cadbury Schweppes was heavily bought as the shares continued to climb above Tuesday's A34.25-a share offer from the group's UK parent. It

HONG KONG drew strength from Tokyo's highe and the local property boom to move upwards in good turnover. The Hang Seng index rose 26.62 to 2,659.30 as HK\$1.2bn worth of shares changed hands, almost double Tuesday's volume.

The success of Tuesday's government land auction where prices realised were higher than expected - gave sentiment an extra boost. SINGAPORE edged higher in thin trading as light afternoon selling pared early, Wall Street-inspired gains. The Straits Times industrial index rose 2.12 to 1,005.49.

TAIWAN suffered its second largest fall of the year as fears of higher oil prices and worrles about international interest rates saw the weighted index plunge 269.05 to 6,814.11.

Kwik Save's No Nonsense approach continues to make good sense.

Kwik Save have a 'no nonsense' policy which stresses our consistently low prices and the quality of the brands that we sell.

Customer acceptance of this policy has resulted in substantial sales growth from existing stores and from the 55 new stores opened during the year resulting in another record year.

KWIK SAVE	Year Ended 27th Aug. '58 Em	Year Ended 29th Aug. '87 Em
TURNOVER INCLUDING VAT	974-0	862-0
PRE-TAX PROFITS	55-2	46-6
EARNINGS PER SHARE	23-31p	19-95p



KWIK SAVE

NO NONSENSE FOODSTORES

COPIES OF THE REPORT AND ACCOUNTS WILL BE AVAILABLE AFTER 22nd DECEMBER 1988 FROM THE COMPANY SECRETARY KWIK SAVE GROUP PLC, WARREN ORIVE, PRESTATYN, CLYWO LL19 7HU.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

KEGISIENT MAUNTIS]		· — -
Figures in parentheses show number of stocks per grouping	US Dollar Index	Oay's Change %	Pound Sterling Index	Local Currency Index	Gross 0 lv. Yleid	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91). Australia (91). Belglum (63). Canada (125). Denmark (39). Finland (26). France (130). West Germany (102). Hong Kong (46). Ireland (1,8). Italy (98). Japan (456). Mexico (13). Metherland (38). New Zealand (25). Norway (25). Singapore (26). South Africa (60). Spain (42). Sweden (35). Sweden (35). Switzerland (57). United Kingdom (318).	98.37 133.45 120.54 153.32 136.31 110.66 85.98	-0.1 +0.4 -0.1.1 +0.1.5 +0.4 +0.5 +0.5 +0.7 +0.7 +0.7 +0.8 +0.8 +0.8 +0.8 +0.8 +0.8 +0.8 +0.8	117.62 78.73 106.47 122.70 109.09 88.57 68.81 104.83 68.05 151.48 112.19 144.09 87.43 56.15 100.66 96.37 122.15 108.15 10	111.44 88.28 119.79 104.26 138.93 117.12 107.38 77.19 109.14 119.31 145.31 145.31 145.31 15.68 110.71 107.65 130.54 120.54 120.66 110.40	4.61 2.44 3.36 2.18 3.17 2.473 4.18 2.57 4.18 2.51 2.51 2.51 2.51 2.51 2.51 3.13 2.37 4.75	147.13 97.94 133.52.29 134.29 110.20 85.98 108.46 131.11 84.59 185.00 140.06 182.24 109.04 70.34 126.65 152.12 133.76 79.38 136.97	118.75 79.04 107.72 108.38 88.94 69.39 87.54 105.41 113.04 147.08 88.07 102.21 102.27 102.21 102.21 102.21 102.21 102.21 102.21 103.38	111.95 88.30 1201.37 103.92 138.57 115.63 102.33 77.46 108.73 119.72 81.14 143.68 97.24 57.08 111.85 107.57 96.30 131.03 119.55 71.38 110.54	152.31 100.00 139.89 128.91 153.98 139.53 112.05 88.21 111.86 144.25 86.73 190.75 154.17 182.24 111.00 84.05 132.23 135.89 139.07 164.47 137.43 86.75 141.51	91.16 85.72 99.14 107.06 111.42 106.78 72.77 67.78 84.90 104.60 62.99 133.61 107.83 90.07 98.25 97.99 98.26 130.73 96.92 74.13 120.66	99.29 93.47 98.31 102.99 112.08 84.66 75.56 82.01 100.27 79.47 139.04 101.03 119.59 94.01 78.56 101.56 92.05 145.28 120.53 93.91 80.72 117.23
Europe (1008)	114.79 184.29 156.48 110.93 99.85 124.74 154.94 137.80 137.92 113.10	+0.7 +1.7 +1.4 +0.3 +0.3 +1.3 +1.2 +1.2 +1.2	91.87 147.49 125.23 68.76 79.91 99.83 124.00 110.29 110.38 90.52	98.20 142.34 124.82 110.04 90.47 104.91 124.00 120.26 119.52 105.76	3.78 0.73 1.64 3.67 3.01 4.62 1.71 2.06 2.29 3.76	114.00 181.27 154.35 110.02 99.54 124.66 152.91 136.18 136.29 112.28	92.00 146.30 124.57 88.79 80.34 100.62 123.41 109.91 110.00 90.62	98.11 140.84 123.87 109.12 90.56 105.09 123.07 113.58 105.22	116.61 185.75 158.08 116.07 101.29 128.27 156.39 138.28 138.61 115.54	99.19 97.01 130.81 120.36 99.78 80.27 87.51 120.26 111.77 113.26 100.00	94.66 97.12 135.35 120.09 95.10 84.65 90.79 119.76 109.35 109.81 95.15
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FINANCIAL TIMES THURSDAY DECEMBER 1 1988

SECTION III FINANCIAL TIMES SURVEY



As Birmingham prepares to celebrate its centenary year, this one-time workshop of the

world is undergoing a radical transformation aimed at turning it into one of Europe's leading business centres. Richard Tomkins, Midlands Correspondent, reports.

Beyond the Bull Ring

"ARE THEY really knocking down the Bull Ring?" people ask incredulously. It's as though Birmingham

itself was being demolished. The shopping centre that was once held up as a piece of pio-neering 1960s architecture may now be regarded as an ugly blot on the urban landscape, but it is still the city's best

known landmark.
The answer to the question is yes: the Bull Ring is soon to maka way for another equally ambitious project called The Galleries, a £250m city centre development by the London & Edinburgh Trust that willinclude a 22 acre mall with five major stores and 175 other

But the Bull Ring is not the only unsightly monument to post-war architecture now facing the bulldozer. As Birmingham prepares to celebrate the 100th anniversary of its designation as a city, it is caught up in an astonishing spate of redevelopment in which an estimated £1.25bm is being spent.

People returning after a long bsence are increasingly finding parts of Birmingham changed beyond recognition. The city centre is bespattered with the tall masts of cranes as new buildings are thrown up to

replace the not-so-very-old.

One reason for the building boom is the strength of the West Midlands economy. This heavily industrialised region of the country has recently undergone a revival on the back of the strength of the back of the strength of the national economy, and Bir-mingham, as the regional capi-tal, has been the beneficiary. But a more significant cata-lyst for the changes now tak-ing place has been Birming-

through a policy of building up its service sector industries in particular, business tourism.
Once renowned as the workshop of the world and the capital of Britain's industrial heartland, Birmingham flourished-from the early days of the industrial revolution to the late 1960s as customers from around the world beat a path

ham's determination to regain its international standing

to its factories' doors. But boom turned to slump in the 1970s as British industry lost its international competitiveness and recession began to bite. The number of jobs in Birmingham fell hy nearly 150,000 to 474,000 between 1971 and 1984, with manufacturing by far the worst casualty. Birmingham was spurred into action in defence of its



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BIRMINGHAM

eputation and its citizens' jobs by a long-standing tradition of municipal enterprise dating back to Joseph Chamberlain's period as mayor in the 1870s.

Those were the days when a spirit of civic pride — the so-called civic gespel — saw slums cleared, Corporation Street constructed, gas and water services municipalised, and the high death rate cut

Birmingham was the best governed city in the world.

A century later, the same spirit found its expression in a determination to find a new recovering been for the distribution. economic base for the city that would reduce its exposure to declining manufacturing industries and take it into the next

and the high death rate cut down. In those days, it is said,

century as a leading interna-tional business city.

The first step, taken in the 1970s, was nothing if not bold 250m was spent on building Britain's first purpose-built exhibition centre on a greenfield site next to Birmingham

Airport.
Many ridiculed the idea of attracting exhibitions away from London and saw the National Exhibition Centre as an expensive white elephant. But the NEC worked. Opened in 1976, it now attracts most of the international exhibitions held in Britain; it clears a useful profit after debt charges; it is estimated to have produced at least 4,000 jobs; and it has

and international profile.

Encouraged by this success,
Blrmingham has now Birmingham has now embarked on a still more ambitious scheme aimed at attracting new investment and jobs. This is the construction of a £121m International Convention Centre in the city centre - again, a UK first.

raised Birmingham's national

It is hard to understate the boldness of this venture. With its associated developments, the convention centre - by far vast tract of inner Birmingham. Were it conceivably to flop, the hole it would leave in Birmingham's heart would be as large as the one in Its

The possibility of failure therefore cannot be allowed. But the city is mindful that if people are to like the conven-tion centre, they will have to like Birmingham, too. It is this thought that underlies much of the current wave of reconstruc-

Birmingham, after all, is not a particularly attractive place and has hitherto suffered from a correspondingly poor image a fact that was brutally brought home by a report on the quality of life in Britain earlier this year, which found Birmingham the 38th most desirable city in a list of 38.

The wounds were just begin-ning to heal from that assault when the Prince of Wales reopened them on peak-time television five weeks ago with his lambasting of post-war

architecture, using Birming-ham as an example of all that he found so objectionable.

The main reason for the city's lack of charm is that it was extensively redeveloped during the prosperous 1960s, a time when architecture appears to have struck a low and town planning theory advocated the separation of people from cars people from cars. Over-enthusiastic developers

tore out much of the city's Victorian heart and replaced it with lumps of featureless concrete. Then around the whole they threw a motorway-style inner ring road less than a mile in diameter that forced pedestrians into dingy and

dangerous subways.

In the words of the Prince of Wales: "Because of lack of vision, Birmingham's city centre became a monstrous con-crete maze that only cars could find their way through. People did not stand a chance. Cars were placed above people and people were placed one above the other on concrete shelves. "The notorious Bull Ring, for

example, has no charm, no

human scale, no character except arrogance. It is a planned accident. Most of it is coming down, thank goodness. So here is a second chance to put things right. But are they going to take it?" The Prince left the question hanging, but his instinct had been clearly expressed earlier

in the programme when he alluded to the plans for the convention centre as "an unmitigated disaster." On an earlier visit to Birmingham, too, he said the redeveloped Snow Hill station was "awful" and described the planned five-star Hyatt Hotel as resembling "a concrete missile silo."

The Prince is not alone in his views. Mr Joe Holyoak, for example, principle lecturer at the Birmingham School of Architecture, is one outspoken local critic of the Birmingham

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Industry: Society: Politics Exhibitioo & Convention

Property: office; retail;

The truth about Brum; touris

redevelopment mentality. "The convantion centre is typical of the schemes that characterised the 1960s: find a site, scrape it clean, and put an enormous single building on it." he says. Similarly, The Galleries - the planned replacement for the Bull Ring - is "one enormous megastructure dropping out of the sky onto the city centre.

There is little reassurance either, to be found in one of Birmingham's most recent ven-tures into modern architecture. If the Copthorne Hotel and its twin office building failed to prompt a haranguing from the Prince of Wales, it can only have been because these two vast black mausoleums beg-gared his powers of descrip-

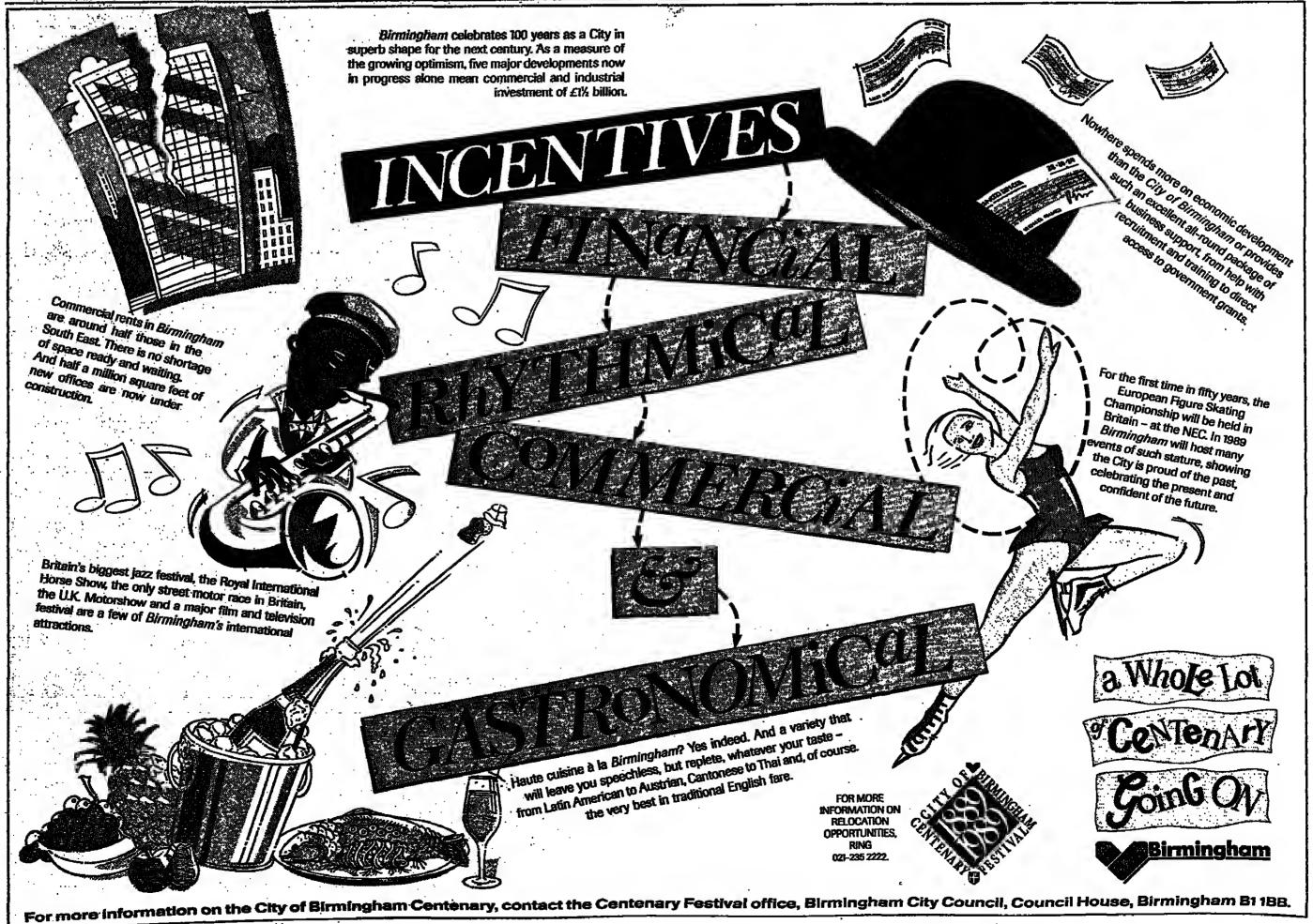
Yet it would be wrong to suggest that the city has learned nothing from its mistakes. Barely a week seems to pass without the announcement of another planning conference, a symposium on city centre redevelopment, a competition for the redesign of key

If it is yet too early for these efforts to have borne much fruit, they at least demonstrate an awareness of the potential pitfalls of redevelopment: and the least that can be said of what is going up is that most of it is less bad than what is

coming down. Perhaps a slightly more intractable obstacle to Birmingham's efforts to improve its image is the popular notion that it is a city of a thousand trades and year little also Chl. trades and very little else. Culture is not a concept with which the word Birmingham is

often regarded as synonymous.
Here again, the city is tackling the problem with moves
such as the creation of the annual Birmingham Jazz Festival, the construction of a world class concert ball as part of the convention centre, and plans to give the city character by dividing it into Parisian-style quarters such as a Chinese

quarter and a media quarter. Today, it still seems fanciful to imagine Birmingham will one day be a city of international standing, ranked along-side Frankfurt, Barcelona and Milan. In truth, it probably



Business tourism, finance and retailing are creating . . .

A different industrial base

COAL, IRON and limestone were the basis for Birming-ham's evolution into Britain's second biggest city, but its future prosperity is being built on more intangibla founda-

Business tourism, financial services and retailing are the raw materials with which the city's new industries are work-

Although only 100 years old as a city next month. Birming-ham as a settlement dates back to mediaeval times. Its famons Bull Ring has been a trading centre since Peter de Birmingham, lord of the manor. obtained the first grant of a market charter in 1166.

Cloth and leather making were also important local industries in the middle ages, but by the 16th century, the availability of coal, iron and limestone in the nearby Black Country had led to the development of metal-based trades such as nalimaking, edge-tool production and goldsmithing. Significantly, however, Birham was to become more than just a metal-bashing town. As the focal point of the surrounding industrial heart-land, Birmingham became a

finishing centre and marketing ontlet for basic metal goods from the surrounding area, a place where the available naturai resources were comple-mented with a spirit of entrepreneurship and innovation. The guns, huckles, buttons and brassware of the 17th century developed into increasingly complex metal goods, and

the 18th century brought the beginning of an era of rapid expansion as the domestic and overseas markets for Birmingham's engineering skills expanded. As the industrial revolution gathered pace, Matthew Boulton, James Watt and William Murdock set up their great manufactory in Soho and Birmingham became the workshop of the world.

Prosperity on the back of this manufacturing base continued almost uninterrupted until well after the Second World War, but boom turned to slump in the 1970s when British industry was hit by the combination of a slowdown in domestic demand and the loss of its international competi-

In the past, the diversity of Birmingham's manufacturing industry had helped it ride out

badly hit. Partly this was because it had allowed itself to become too heavily depende on a small number of mature industries - in particular the motor industry and automotive component manufacturing.

A linked explanation lies in the government's post-war regional policy which consis-tently favoured investment in the less prosperous parts of the country at the expense of the (then) relatively well-off West Midlands. This hindered the natural self-regeneration of put from remaining employees but also began applying auto-mation and robotics to jobs previously done by people. Birmingham realised that however strong its eventual

recovery, this structural change in industry's manpowar requirements mean there was little likelihood of manufacturing providing a return to historic levels of employment. Instead, the service sector would have to show

the way. Birmingham'a policy since the early 1970s has therefore

Skrninghem Employment by Sector 1971-87 1971 1975 1978 1961 1964 1967#
 Manufacturing
 303,811
 251,618
 247,480
 161,191
 161,570
 158,000

 Services
 276,920
 286,032
 286,804
 283,543
 288,938
 316,000

 Total*
 619,970
 577,610
 568,142
 499,994
 473,914
 496,000

businesses in Birmingham, leaving it top-heavy with the old and infirm. Birmingham, however, must share the blame for this. Even in the depths of the recession there was a widespread refusal in the city to accept that a large chunk of its manufactur-

ing industry was in terminal decline, and stubborn pride prevented it from pressing the Government to change its regional policy.
As Mr Graham Shaylor, the

city council's director of devel-opment, recalls: "The general mood was not to require government assistance because it

been to build up its under-rep resented service sector by turning the city into an interna-tional husiness centre and attracting large-scale business

The first expression of this policy came in 1976 with the opening of the National Exhibition Centre. It is now being pursued with the planned dou-bing in size of the NEC and the opening of the International Convention Centre in

This policy has already had a marked effect on the city centre, prompting a construction

The city was allowed to become too dependent on a small number of mature industries

was believed that investors would not be interested in coming to an area that was in need of government aid."

Birmingham eventually swallowed its pride when it found that disqualification from UK government help was antomatically disqualifying it from valuable European Community funding. But by the time it had won assisted area status in 1964, it was already too late; no less than 150,000 of the city's 620,000 jobs had disappeared, virtually all of them

from manufacturing.
But not all these job losses represented companies going out of business. In the drive to increase productivity to internationally competitive levels. many companies not only demanded higher levels of out-

offices spring up to serve the growing number of visitors. The financial services indus-try, too, has been encouraged by the mood of optimism and the strength of the West Midlands recovery to adopt Birmingham as a major provincial

The effects on Birmingham's employment structure have been striking. Latest estimates from the city council suggest that service sector employment had grown from 277,000 in 1971 to 316,000 last year while man-ufacturing employment plum-meted from 304,000 to 159,000. Yet Birmingham is still the manufacturing centre of the

UK, employing more people in factories than Manchester and Sheffield combined: and companies such as Austin Rover,

IMI, Lucas Industries, GKN. Jaguar and Cadbury Schweppes still employ thou-sands of workers apiece within the city boundary.

Partly because of the

improvement in the national economic climate and partly through the recent strength of the UK motor industry, manu-facturers in Birmingham are once again prospering. Signifi-cantly, Austin Rover recently announced that it was taking on another 600 manual workers at its Longbridge plant - something many people in Birming-ham thought they would never

Unemployment nevertheless

remain a serious problem in the city. Some 11.3 per cent of people in the travel-to-work area and 15.2 per cent of people within the city boundary are unemployed, far above both regional and national averages. One recurrent criticism of Birmingham's industrial strategy is that many of the jobs being created by the service sector are poorly paid and go to part-timers, school-leavers and women returning to the workforce, so doing little to alleviate long-term unemploy-

ment among former factory workers and the city's large ethnic minority population. Another worry is that much of the manufacturing industry that remains looks as vulnerable to the next economic downturn as it did to the last. According to Mr Geoffrey Edge, chairman of the West Midlands Enterprise Board, manufacturing industry in the area is seriously deficient in the provision of training, adoption of new technology, quality of management and product innovation.

"We need massive investment in all these areas. The emphasis on services is doing nothing to address these prob-

New, high technology industries have been coming to the city, but not in sufficient numbers to staunch the haemorrhage of manufacturing jobs. In the three years to 1987, the service sector grew by 5.1 per cent but another 1.6 per cent of manufacturing jobs were lost. Birmingham may therefore need to make further calls on its powers of innovation and entrepreneurship if unemployment is to be radically cut.

Richard Tomkins



Scenes of deprivation: Birmingham's Handsworth district

POLITICS

Council split

BIRMINGHAM enters its centenary year with an embar-rassing split on its council. On the face of it, the ruling Labour group has a clear majority with 67 of the 117 seats, but 20 Labour councillors of the Broad Left are undermining the leadership's authority by defying it on crucial votes.

The overt source of the rebel 20's grievance is the leadership's proposal to close a council run children a home in Bognor Regis. But at root they are protesting at their inability to infloence the Labour group's right wing policies.

Birmingham electors are moderate folk as likely to return a Conservative council as a Labour one. Over the last 20 years or so they let the two main parties take turns at running the city.

Similarly there has often been little to choose between the parties. A long-standing tradition of municipal enterprise has united them in supporting big pioneering projects such as the National Exhibition Centre, the Olympic bid, the Birmingham Snper Prix and the International Convention Centre.

Left-wingers oppose thes. projects on the grounds that ntial services are being cut to fund them. Up till now, they have been gagged by the might of the old guard on Labour's right. But some unexpected successes in last May's elections have given them the courage to seek a bigger say in how the council is run.

Councillor Dick Knowles, the gritty veteran who heads the Labour group, has bluntly refused to give in to them: and the ensuing rancour has devel-oped into a vicious row that culminated last month in the launch of an inquiry into Bir-mingham's Labour group by the party's National Executive. It will probably be well into the New Year before the outcome is known. Meanwhile Clir Knowles is under immense pressure to defuse the row by stepping aside in favour of a more conciliatory leader. The carrot being extended to him is the offer of the mayoralty during the high-profile centenary year. He has, thus far, been extremely unwilling to hite.

Richard Tomkins

The state of the s

SOCIAL TRENDS

Deprivation amid plenty

faces severe difficulties in spreading the benefits of the success throughout the com-

The problem was highlighted The problem was highlighted in a recent report, Faith In The City of Birmingham, based on the findings of a commission set up by the Bishop of Birmingham's council. This found that amid the sea of plenty, evident in the business community and in the extraordimunity and in the extraordinary level of building activity around the city centre, there continued to persist an "unacceptable level of deprivation. The report concluded: "The division into separate, often and deprived areas of Birming

THE CITY of Birmingham is justifiably proud of its achievement in regenerating its local economy. It also knows that it the complex of the co

statistics point up the disparities. They show that, though the unemployment rate for Bir-mingham as a whole is about 15 per cent, the rate on a ward-by-ward basis varies from 6.5 per cent at Sutton Coldfield to nearly 30 per cent at Spark-

brook.
The lack of adequate provi sion of housing represents a second major area of deprivation in Birmlngbam. The Bishop's commission found that "in spite of massive clear-ance and redevelopment programmes in the last 30 years, by 1986 about a quarter of the city's 400,000 dwellings were either untit for habitation or Continued on next page

Population trends

Urban slide

IF YOU want to live long, live somewhere other than Birmingham. The city has a mor-tality rate a full 8 per cent above the national average even after discounting demo-graphic factors: in other words, the chances of dying there at any given age are 8 per cent higher.

Mostly this reflects the same factors present in other metropolitan areas: above-average concentrations of poverty and social deprivation, a high inci-dence of industrial disease, and poor health, hygiene and diet. But exceptionally high death rstes in some of the ethnic minority communities also lift the city's average. About 15 per cent of the population belong to families headed by someone born in the New Commonwealth or Pakistan, and parts of the Asian community suffer death rates (albeit gradually declining ones) some three or four times the national aver-

Paradoxically, however, Birmingham has one of the highest birth rates in the country at 19 per cent above the the figure is boosted by the

tend to include an exception ally high proportion of people in fertila age groups.

This natural increase to Birmingham's population has nev-ertheless failed to halt an overall slide. Last year the population fell below 1m for the first time in decades when it hit 998,200, some 15 per cent below its 1961 level.

As with other citles, the main reason for the decline is people's exodus in search of a better lifestyle. Some leave forever, usually to the South-East, but many simply move out into the suburbs or surrounding countryside: between 1971 and 1981, the number of people commuting into the city rose by 14,000 to 162,000.

One consolation for Birmingham in the face of its declining population is that It is in no danger of losing its place as Britain's second biggest city. lts nearest rival, Glasgow, has a population of only 718,000, while Mancbester and Liver-pool are less than half its size at about 450,000 apiece.

Richard Tomkins

Helpi

BIRMINGHAM -where else?

IMI, one of Britain's largest industrial groups, is proud to run its world-wide operations from headquarters in Birmingham.

We know Birmingham is a fine city to operate from - we've been doing it for 125 years.

We've grown a lot since those early days, but our commitment to Birmingham remains strong. Two of our Birmingham companies this year won Queen's Awards for Technological Achievement - Eley for its remarkable Elevprime process (Eley's sporting ammunition dominates competitive target shooting at world level from the Olympics downwards) and IMI Titanium

for its latest high-duty alloys for aircraft engines (produced at the UK's only titanium melting plant). Then Holford is setting new standards, environmentally and constructionally, for the development of industrial estates...The IMI Mint has produced coins for more than 60 countries...we could go on, but these are just some of the nearly 50 UK and almost as many overseas IMI companies who in 1987 made sales of £861m and pre-tax profits of £92m in a year of further substantial growth.

> Yes, we think Birmingham is a great place to be - and we've proved it's a great place to expand from.

building products · drinks dispense fluid control · special engineering refined and wrought metals

IMI pic Birmingham England

The Midlands **Leading Brewer** —investing in the future of the Midlands The success of the long brewing tradition has enabled Mitchells & Butlers and Bass Worthington to make a major contribution to the prosperity of the region. Brewing leading national and local beer brands in four Midland breweries, the company's achievements have resulted in major investment in the area. Mitchells & Butlers have won a national premier environmental award for their £11 million redevelopment of Cape Hill Brewery — the coveted Business & Industry Environmental Award: at the Bass Brewery in Burton upon Trent a multi-million pound redevelopment is nearing completion; and continuous improvemen and new innovations are taking place in the company's licensed properties throughout This success has also meant investment and involvement in the community, with support for local projects including music and the arts, community care, anvironmental and Young Achiever Awards. and backing for initiatives such as

The Prince's Trust, Birmingham Venture and Business in the Community.

The company supports many forms of sport, including sponsorship of Warwickshire, Northamptonshire and Derbyshire County Cricket Clubs.



Bass Mitchells & Butlers
The Midlands Division of Bass PLC

Brewers at the Heart of the Midlands

YOU CANNOT have your cake

and eat it. Unless, that is, you are Birmingham City Council.

One problem loomed above

one protein toolean arove all others when Rirmingham decided to demolish a run-down chunk of the city

centre and construct Britain's

The difficulty was that the

European Community was pre-

pared to put £35m towards the

The council was happy to

take on the necessary debt. But

tight government controls ou

local authority spending meant

that any money borrowed for this project would have to be

offset against the rest of the

council's £100m a year capital

programme, so leaving it in

Mr Tom Caulcott, then chief

executive of Birmingham City Council, recalls how one

suggested alternative was to

for Birmingbam on the grounds that this was a project

of national or regional signifi-

have had to get the agreement of the other metropolitan

authorities, and there was no

way the Manchesters, Leeds and Sheffields of this world

would have given up their capital allocations in order to

The solution - which Mr

Caulcott claims was suggested by the Treasury — was that Birmingham should 'privatise' the International Convention

Centre by funding its construc-

tion through the vehicle of the National Exhibition Centre

Limited, a company formed

(and owned) by the city council

to manage the NEC.
The pretence enabled the

government to turn a Nelson-

ian eye to Birmingham's finan-

cing of the project on the grounds that it fell within the

private sector. But only public

sector projects qualify for EC

aid, so the sham was there for

all to see when Birmingham

duly received its £35m RC

increase ours."

"But to get that we would

ek an extra capital allocation

centre: where to find £121m.

ce of its declina that it is in m sing its place as and higgest cir. val, Glascow, has of only 718,990 rester and Liver than half its see 100 aniece.

Ichard Tomkins

R 1 1988

Pop, sport lift profits many to be a white elephant, a future drain on ratepayers' and taxpayers' resources. Twelve years after its opening, however, that National Exhibition Centre is viewed as an outstanding example of municipal entrepreneurship.
The NEC, built largely with
Birmingham Council-raised funds, is already Britain's big-

gest exhibition facility by far and its success has led to the city laying plans for a doubling of capacity by the year 2000. The example the NEC has set was also probably the major factor in Birmingham's decision to build its International Convention Centre in

The NEC's achievement can be measured in part by its prof-itability; last year it made a contribution of £3m to the city's rate funds. But just as important has been the spin-off on to local companies both in terms of their revenues and the

number of jobs they provide. Hard and fast figures are hard to come by - the last serious attempt to gauge the economic effect of the NEC was in 1984 when Ecotec, a consultancy company, estimated that nearly 4,000 jobs had been created and that 259m was pumped into the local economy a year as a direct result of the NEC's exis-

. The NEC believes both these figures were under-estimates and expects a new survey it has commissioned to show that the jobs figure now is closer to 8,000 and the regional spend at today's prices nearer to £200m. That may or may not he proven. What is not in doubt is the record of the NEC itself.

The centre's ability to generate operating profits of £9.8m on turnover of £31m rests only in part on the business it spe-

cifically set out to capture

lered by when it opened. About 66 per phant, a cent of gross income in 1987-8 came from third party-organ-ised exhibitions which the NEC's original backers, the city council, expected it to make a pitch for. Another 4 per cent comes from commercial lettings of shop space, car parking facilities and the like.

National Exhibition Centre is to double capacity

The rest comes from two revenue earners which have been introduced in the 1980s. Events, such as pop concerts and sports shows, provide about 20 per cent of income; and exhibitions organised by the NEC's in-house entrepre-neurial department, arising from its 30 strong-team spo ting gaps in the market, account for another 10 per

All of this has led to the NEC being fully used for the equivalent of about 240 days a - an occupancy rate of about 65 per cent. Is that enough, however, to justify the risk involved in the NEC's decision to aim to double capacity to 200,000 sq metres by the end of the century? After all, the first part of the five-phase expansion alone

involves \$41m of expenditure A third of that will be provided by a European Community grant, but most of the rest comes from the city borrowing on the financial markets and the debt will have to be ser-Mr Terry Golding, NEC chief

executive, and his team, base their optimism in part on the rapid growth of husiness spending on exhibitions. Industry sources show that whereas UK companies in 1976 spent only about 2 per cent of their promotional budgets on exhibitions that figure has now reached 10 per cent and is

Furthermore, much of the increased spending has and will inevitably continue to be channelled towards Birming-ham because of the lack of competition in Britain. The NEC is well down the list of European exhibition centres in terms of size - but it is more than two times as big as the

Barls Court centre, its nearest rival in Britain.

The number of exhibition centres in Britain is growing yet all are comparatively small and the NEC argues that, although they will be rivals for smaller exhibitions, they could also act as "fodder" for the NEC growth: once an exhibition grows to a certain size, there is only one place for it to

The NEC also argues that the 65 per cent occupancy rate is misleading because there are certain periods of the year -Christmas and the peak sum-mer months, for example when there will never be strong demand for facilities. For at least some of the rest of the time, the NBC is having to turn away business because of a lack of capacity.

Some proof of this has already been provided by the take-up of space at pent February's International Spring Fair for a variety of products, including gifts, jewellery and ceramics. For years this event has been restricted because of lack of space. The opening of halls 6, 7 and 8 has, however, enabled the fair to increase in size by 50 per cent and all the additional space has been

taken up. Birmingham City Council will undonbtedly need more evidence of increased demand before it sanctions further expansion. But, for the ment, faith in the NEC runs high and few people doubt its ability to meets its growth targets to the end of the century.

Michael Smith

INTERNATIONAL CONVENTION CENTRE

A British first



The convention centre begins to take shape on the city centre tringes

The result of this fancy financial footwork is that a great swathe of central Bir mingham is being transformed as Britain's first purpose-built convention centre takes shape in readiness for its opening in

There will be 11 main halls in the centre itself with seating capacities varying from 120 to 3,000 people each. The halls will include exhibition, banqueting, theatre and cinema facilities, and there will

smaller meeting rooms for so-called break-out sessions. Hall Two will double as a concert hall seating 2,200 people. This will aim to offer some of the world's best acoustics and provide a suitable home for Simon Rattle and the City of Birmingham Symphony Orchestra as well as visiting

Immediately adjacent to the conventiou centre will be the 26-acre Brindley Place development. The centrepiece of this ambitious project will be the National Indoor Arena, a sports complex capable of accommodating practically all national and international

Also in Brindley Place will be canal-side shopping, a national aquarium, cinemas incorporating the latest screen

technology, a two-star family hotel, offices, and car-parking. Debt charges on the cost of constructing the convention centre mean it is unlikely to make money for years. But Birmingham believes modest losses are justifiable when set against the creation of 2,800 new jobs and the £54m worth of spending the convention centre is expected to bring to

the region. The centre will be chasing both the main categories of convention husiness: association conferences, typified by the annual meetings of professional bodies and business associations; and corporate conferences of the type that accompany product launches and sales motivation cam-

Probably about 65 per cent of its business will come from the corporate side. At present, this is predominantly a domestic marketplace, but the convention centre believes it will take an expanding slug of European business as its reputation

Although fewer in number, association conferences are larger in scale and broader in their international horizons It is on this side of the business

that the convention centre will be competing on a global scale. Association conferences fre-

quently run to several thousand delegates, more than any single hall in the convention centre will accommodate. But it is here that the National Indoor Arena will come into play: with 8,000 tiered seats and room for 4,000 on the arena floor, it will be able to accommodate most world-scale con-

ferences. The convention centre is cov about the number of bookings it has so far secured. Corporate conferences operate on short lead times, it says: but on the association side, the International Olympic Committee's in June 1991, followed by 'Rescue 1991', an international conference of life-saving organisations, the same month.

The real coup would be for the convention centre to get itself on the UK party political roster alongside Brighton and Blackpool, but it has not swung the argument yet. Meanwhile the only other convention it publicly claims is the World Genetics Conference

Like the NEC in its construction phase, the convention centre is getting its fair share of barracking. When The Prince of Walea described it as an unmitigated disaster, he was referring to it architecturally. but others fear the phrase could aptly describe the finan-cial outlook, too. Both views may be overly

pessimistic. The architects' model does indeed look grim, hut as the buildings themselves take shape, they are beginning to assume a hint of magnificence.

On the financial front, the convention centre is being launched into a world market said to be worth £40bn a year and growing at 16 per cent annually. It is unique in the UK and at least as well researched as the NEC. Nobody can be sure it will suc-ceed - but if it does, it will be the making of modern Bir-

Richard Tomkins

Deprivation

Continued from Page 2

needed extensive repairs.

Meanwhile, homelessness
has increased substantially: in 1987 there were 26,300 house holds on the housing waiting list, more than double the figure of 1979. In 1986, the city dealt with 7,970 homeless households, a figure three

times higher than in 1979. The Labour-controlled city council says its scope for tack-ling this and other deprivation problems is restricted by the Government's tight control of public spending. None the less, a voluble cancus on the Labour Party Left believes too much money and effort is being diverted into projects aime

in England & Wales to carry on inv

primarily at helping business rather than deprived residents. "If our economy is so buoyt, why should the council be doing things, like building the International Convention, Centre which should be done by

the private sector?" says one Left-wing councillor. Mainstream Labour councillors can point to a number of initiatives aimed at easing the city's social problems; from the building of a network of council-run "neighbourhood offices" to increasing the social services the social services and the social services are social services. vices budget this year by 10 per cent at a time when the total city budget rose by only 6

But they are also wary of

accusations from the Right that they may simply be throwing money at the problems. One of the main thrusts of their approach has thus been to launch schemes which can both engender new money and

Yes, they say, the building of the international Convention Centre and the launch of schemes such as the Heartlands urban development project will help business. But such initiatives will also create

permanent jobs. Job creation will not solve Birmingham'e social proble But, so the controlling Labour group believes, it will go a considerable way towards easing

Michael Smith

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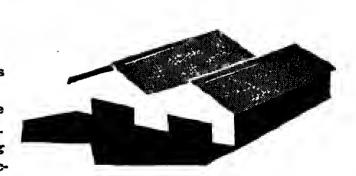
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ahead. Coopers & Lybrand, for instance, has 400 staff, com-pared with around 320 a year ago. This time next year it expects to have 500. While growth has been con-

sistent through both good and bad years, the pattern of growth has changed. Most

growth.

BIRMINGHAM 4

ACCOUNTANCY SERVICES

Pattern of growth changes

who say they laid off staff dur-ing the recession. Most talk of uninterrupted profit and staff ments huilt np during the recession have either been wound down or renamed. "Cor-There is an element of bravado in this, but it reveals a perennial truth: professionals porate recovery" is the most common new label, reflecting the work such departments do thrive on change, regardless of whether their clients ars thrivhelping banks keep their trou-blesome clients solvent in the first place. The "insolvency" ing.
The good times, of course tag has been set aside for a rainy day.

the good times, of course, are a lot more profitable than the bad. For the past two years the fee income of some large accountancy firms in Birmingham has heen growing at around 30 per cent. Staff numbers are also moving strongly Less obviously, growth is coming from a different type of client and a new range of services. The Birmingham offices of the largest accountancy firms once focused on the larg-est West Midlands-based companies, of which there were plenty to share around. Many of these companies have now either disappeared or cut back much of their local activity. Smaller businesses have come to the fore, bringing a demand

obviously, insolvency depart- for a new range of services.

Large companies mainly need there accountants to help them control their various operations. Smaller ones need

them to help them grow.
This change has opened up
the market for accountancy services in the West Midlands. The old distinction between large firms serving large cli-ents and small ones small clients, always an oversimplification, is now less true than

Coopers & Lybrand, for instance, has 35 people working full-time in its small business department. These people are in direct competition to smaller firms of accountants, but with one advantage: they have behind them nationally developed "products" for small

The disappearance or shrinking of some large local compa-

smaller ones to take their place has also opened the market in another way: the largest local accountants (Peat Marwick McLintock, Price Waterhouse and Coopers & Lybrand) can no longer rely on a stable and sizeable market share but have to fight for new business along-side other, less well-established

though, are that the large ioca firms are holding on to and even growing their market shares. Peat, which already stands head and shoulders above others in the region with a total staff of 760 in Birming-ham, saw its fee income grow by a quarter to £25m last year. Its fee growth alone almost matched the entire local fee income of a smaller competitor, Arthur Andersen. As a

try's top 15 accountancy firms.

The signs at the moment,

husiness in its own right, Peat's Birmingham office would rank as one of the coun-

These comparisons point to These comparisons point to an important fact about profes-sionals in the City. Mr John Adcock, deputy senior partner of Peat'a national firm, remem-bers joining the Birmingham office 43 years ago when it had one partner and 17 staff. Without a merchanting background like London, Bristol or Manchester, he says, Birmingham failed to develop its own finan-cial services industry. Mr Wood-Scawen of Coopers echoes this: in the past, large local clients were served from London. That has now resound-

ingly changed. Size may not be a virtue in its own right, hut it brings powerful competitive advan-tages. The larger a firm, the vider the range of services it is able to support.
"You have to be a reasonable

size to be able to afford breadth," says Mr Brian Wood-Scawen, head of corporata finance at Coopers & Lybrand. He points to the half dozen specialists in indirect tax at Coopers' Birmingham office as an example of that breadth.

Peat, Price Waterhouse and

Coopers each has between 50 and 60 management consulsq ft. tration provides the scope to

hulid teams of specialists which smaller firms are unable

to support.

Demand for advice on inter-national tax issues has also grown strongly, requiring far greater specialisation. Our biggest clients have become much more International. There are fewer factories to audit in the West Midlands, but we tend to be closer now to their management throughout, the world, says Mr Wood-Scawen. As a result, the range of services offered to clients' head offices in the West Midlands has had to change sharply.

It is this demand for a wider range of specialist skills that has given firms like Arthur Andersen a toe-hold in the city. Anderson is smaller than some locally based firms, but is amongst the leaders in tex con-sultancy or corporate finance - proof that it is possible to grow an accountancy pusiness without a strong audit base.

Operating as full service firms rather than andit out-posts, Birmingham accountants now think of themselves as at least as good as their London counterparts - though the largest firms of accoun-tants, being part of national networks, play down any hint of competition with their brethren in the capital. They are also about 25 per cent cheaper, according to most estimates. This is because their salary bills are between 10 and 15 per cent lower, and office space is still well under £10 a

Richard Waters

LEGAL SERVICES

their clients get as much atten-tion from partners as those of

Birmingham also has, in Martineau Johnson and Need-

ham & James, two firms aspir-

ing to join the ranks of the

developed rapidly in the last five years and now claim to have the skills to handle any of

the demands the largest local

companies can throw at them.

Mr John Wardle, who has been senior partner of Edge & Ellison for the past 25 years,

summarises it as follows: "The quality of work is here to

attract good lawyers. It has

grown dramatically over the

last five years for a lot of people." One or two have been involved in such work for

ears: Mr Wardle himself, for

instance, recalls handling a handful of flotations a year in

These half dozen firms have

To merge or not to merge

THE BIGGEST question taxing the minds of solicitors in Bir-mingham is the same as that which troubles other lawyers around the country: will successful and substantial provin-cial law firms be forced eventually to become part of larger legal networks, in the process surrendering much of the con-trol and the character that distinguishes them?

ACCOUNTANTS, unliks their

clients, seem to coast through bad times and good with no outward sign of suffering. Those in Birmingham are no

exception. It is hard to find any

The question is particularly acute for Birmingham, where a handful of local firms believe themselves to be at least as prominent in their local mar-ket as larger City firms are in theirs. Through mergers and rapid internal growth, the city has four large commercial firms, each with up to 30 part-ners: Evershed & Thomkinson, Wragge & Co, Pinsent and Edge & Ellison.

Tha main difference between these firms is the proportion of other solicitors they employ sharply different profitability at these firms - though those

Convention Centre complex.

increase. Ansells will stay in the fast lane

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of the leisure industry, as Birmingham

drives forward to become a truly

kind in the world).

international city.

the mid to early 1960s. He is now no longer the exception in the Birmingham legal commufor instance an average of 1.5 assistants to every partner at Pinsent and 2.5 at Edge & Elli-The lawyers' claims are conson. This gearing effect, while still far below that of leading firmed by other local profes-sionals, their best source of work. According to one active City firms, where four to one is not uncommon, implies corporate financier: "There must be some esoteric things they can't do. But I prefer with higher gearing claim that wherever possible to use Bir-mingham lawyers to London

While our beers have While our beers have Building The Brasshouse, sive, and you get attention from partners, rather than a new \$1.25 million flagship being passed down the line to more junior staff." pub as part of the International Such testimonials add weight to the lawyers' claims that they are regaining work Sponsoring Birmingham-based lost in previous years to the activities, from the Repertory Theatre to City. Coming at a time of fre-netic economic activity, bring-ing particular demand for legal the Walkathon (the largest event of its From now on, the pace will services related to corporate

property development, this has led to a rush of work that has left the lawyers gasping for

Sir Patrick Lawrence, another prominent figure in the local legal community and senior partner of Wragge, sum-marises the glut of work as fol-lows: "For 40 years people have been telling me that I have been earning too much. For the first 38 they were wrong." The difference now is not that his fees, and those of other lawyers, have gone up, but that they are working far harder than in the past - fee income has grown at a compound rate of 35 per cent in the past three years, he says. The volume work has soared, but the staff available to do the work has

failed to keep pace. Reports vary on how difficult it is to find new recruits, though most agree that Bir-mingham has become more attractive in recent years to lawyers who otherwise would work in London. Nevertheless, the shortage is still acute: Pinsent, a firm which has 40 assistant solicitors, says it is up to

20 short at present. The growth in recent years masks a longer-term challenge for the lawyers, though. How important is it that they form links or merge with other law internationally? The isolation in which they have thrived in the past may be about to end.

The advocates of networks point to the extra resources a group of firms can bring to bear on things like training and information technology. Associations like the M5 group, whose Birmingham member is Wragge, claim that this gives them important economies of

But how important is it for these firms to develop national networks of offices? Mr Wardle of Edge & Ellison says that a company buys most of its legal services at one point; its head office. There is no need for a posts around the country fol-lowing their clients' subsidiary operations, as accountants have done. And why go fishing in someone else's pond when your resources are more than tied up on existing business?

This may be true when the market for legal services if growing fast, but what if it slows down? Accountants may have followed their largest clients around the country, but have since built np a base of local business. For instance Arthur Andersen, in Birmingham for only 15 years, still relies for 40 per cent of its fees on work referred to it by other Andersen offices, But Coopers, which came to the city more than 25 years ago, now generates more than 90 per cent of its fees locally, and passes as much work to other Coopers offices as it receives from

The extreme example is Peat Marwick: it is effectively a collection of regional firms operating under a common name. sharing profits locally rather than nationally (it is often referred to disparagingly as a "franchise" by other accountants). The opportunity exists, some lawyers believe, to establish a similar national name and presence, shutting out firms which stick to their local lest The case though her yet last. The case, though, has yet to be proven either way.

Richard Waters

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VENTURE CAPITAL

Ample local expertise

contrast to more the general merchant banking industry— appears a natural for localised

finance work and commercial

Such investment activity is, after all, a matter of detailed study; conducted well away from the City's capital mar kets; and an area which requires particularly close contact between the in the business itself. t between the investing and

It is not surprising, therefore, to find Birmingham well supplied with expertise. There are the venture capital organi-sations themselves, the most prominent of which is probably 3i; a raft of broader financial organisations, ranging from stockbrokers Albert E Sharp to the merchant banks, who have seen the wisdom of branching into this area; and the "public sector" in the form of the West Midlands Enterprise Board.

The industry, moreover, is both chunky and long-established, having accelerated significantly in the seventies on the back of the management buy-out trend. While recession may have been highly datri-mental to West Midlands industry generally during this period, the pressures ou companies to streamline activities creates a host of venture/devel-opment capital opportunities.

3i, for example, which has maintained a presence in Birmingham since the early-fifties, announced that it was

supporting its 100th management buy-out team in the West Midlands in October this year.
The deal in question is worth
noting as a fairly typical example of how regional venture
capital can step in. In 1987, the

quoted Newman Tonks group

– a fairly acquisitive Mid-lands-based door supplies and building supplies company—took over Peerless. The food packaging interests, however, had little fit with Newman's core business and was sold on to management for £16m, with backing from the local venture capitalists. Those featuring included 31, County NatWest

The Peerless Plastics Pack-Continued on Page 5

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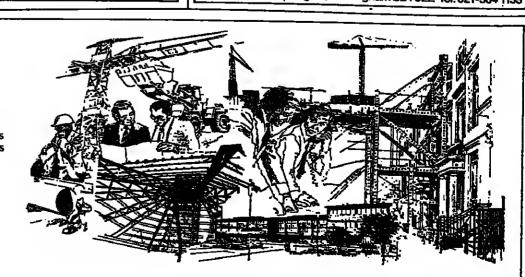
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BIRMINGHAM 5

STOCKBROKING

An easier retrenchment

year for stockbrokers generally. In the wake of the October stockmarket crash, vol-umes of trading have been low, both on the institutional and the private client sides, and the new issue market has reduced

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But although these chilly winds have blown through Bir-mingham, the local stockbroking fraternity feels it has been able to retrench more easily than the larger City firms because of its lower cost base and current trends in private client business. Top London-based firms have deliberately deterred all but the richest private clients by increasing mini-mum charges and/or imposing higher minimum portfolio sizes, and the regional stockbrokers have seen scope for picking up the work.

Birmingham is probably the best broked centre outside Lon-don itself. There are 11 firms of stockbrokers in the city, most of them concentrating on the private client side; one branch office for Bristol brokers Stock

Beech; plus the ShareLink dealing-only service.

By far the largest broking operation is Albert E Sharp, which has an established representation of the statement of the stateme tation on the research side — although it lost its place in the 1988 Extel rankings. Sharp draws most of its income from non-private clients. Of the predominantly private client firms, Smith Keen Cutler ranks as number one, followed by Murray & Co and then a raft of

smaller firms.

Amongst this latter group, a number have seen ownership changes recently. Smith Keen Cutler, for example, linked up with the Midland Bank/W Greenwell combine back in the Big Bang marriage days, while Murray & Co has become part of Allied Provincial Stockbrokers, one of the two groupings of regional brokers. Margetts & Addenbrooke belongs to National Investment Group,

Some changes have been more recent still. A few weeks ago, Lloyds Bank Stockbrokers acquired Chambers & Remington for an undisclosed sum. LBS itself describes the move as a prudent expansion of its capacity. The clearer had always used a panel of brokers.

- including Chambers - when customers requested transactions. However, it found that a number of City firms opted out in the bigh volume days of 1986/7 and also decided, from its own viewpoint, that additional capacity was advis-able. Accordingly, the relationalthough the Chambers name

will be kept.

Fyshe Horton Finney is another firm of local brokers to see upheavals. Again; in the pre-Big Bang days, Mr Michael Ashcroft's Hawley Group (now the Bermuda-based ADT Group) acquired a 29.9 per cent interest. In 1986, FHF Marker Makers, Birmingham's only

market-maker, was set up, again with Hawley's backing. Pre-crash, according to FHF, there was some discussion about Hawley severing its links. The break, however,

month when the two firms were bought out by Second City Securities, a newly-formed company with squity backing from the managements of both companies. Mr Frank Kelling, formerly the senior partner of FHF, becomes chairman and

managing director of both.

The one business which has remained aloof from this general marriage whirl is Albert E Sharp. Senior partner Mr Simon Sharp concedes that there have been come approaches, which he describes as "always comforting." However, Sharp recently converted to pic status, a move which it readily concedes can be seen as

readily concedes can be seen as a preliminary step towards flotation in the next few years.

Although clearly lacking any market-making facility, Sharp is the nearest thing to a local "integrated house". Very broadly, it divides its income between corporate business 05. between corporate business (15 per cent); venture capital (10 per cent); financial services (10 per cent); and agency broking commissions 65-70 per cent. Of the latter, it suggests that pri-vate client work accounts for under half. Amongst the firm's on-going, larger corporate clients are Glynwed, Wolesey, Central TV and Dowling & Mills. In total, it has 55.

While the new issue front chied somewhat in the 1970s, it

has been a fruitful area more recently. Even since the crash, Sharp has been involved in 10 stockmarket debuts. Viewed more broadly, in 1987/88 there have been about two dozen Midlands-based companies coming to market either through placings or offers for sale. Sharp has featured in about half the total number and certainly has a larger pres-ence than any other player. The private client side, less

happy at present, has not been neglected. Perhaps the most innovative move on this front was Sharp's backing for Share-Link, the telephone share dealing company in which it now holds a 32 per cent stake with British Telecom holding a majority 64 per cent. The service is now reckoned to have about 26,000 clients, about 2 per cent of the total market.

Minimum commission is a

remarkably user friendly £15, and not surprisingly, the project has yet to make money. But even the cheerful faces at Sharp admit the private client business has not been the best area of late. The business has, says Mr Sharp, just broken even, while the company as a whole is "ahead of profit targets". Further, he declines to be drawn. Other Birmingham be drawn. Other Birmingham brokers are equally willing to admit the picture has been less bright. "I'm very suspicious," says Mr Nigel Harrison at Smith Keen Cutler," of people who say life has been a bed of roses." Where some hopes do lie, however, is in the thought that a weeding out of overcapa-city in the industry combined with City's reluctance to take on the smaller private clients will create new custom the regional brokers.

Nikki Tali

Local expertise

Continued from Page 4 aging buyout also brings home a further aspect which the regional venture capital industry boast with some pride: the ability to syndicate venture capital deals within the region. Certainly, sums being put up by locally-based institutions are not insignificant: Mr Peter

Williams at 3i puts the annual inflow at over £70m.

The West Midlands Enterprise Board operates from a slightly different perspective. It was set up in 1968 by the West Midland County Council to provide investment funds specifically to medium-sized manufacturing industries on a long-term (seven to ten-year) basis. While the WMEB usually requires equity involvement, it generally takes minority holdings. Sums put up tend to be

stream venture capital organi-sations — typically between £100,000 and £750,000.

Funding was originally restricted to seven district councils, but need/opportuni-ties in a broader area have sines in a producer area have since become apparent. Hence the birth of the West Midlands Regional Unit Trust, a £10m institutionally-held vehicle which extends to Herefordshire and Staffordshire. Smaller the bear also have developed. funds have also been developed with local county councils — Coventry, Warwick and, most recently, a Black Country fund. This last vehicle will have funds of around \$400,000 — half of which come from four county councils and the remainder from the WMEB

Nikki Taft

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MERCHANT BANKING

Nursery for the future

MERCHANT banking, by its very nature, seems to evoke City portals and mahogany boardrooms. Since, in the UK at least, so much activity is equity-based, London would appear the natural place for such activity and services to reside.

What, then, is the role of merchant banking in England's second city? At the outset, it should be noted that the presence of indi-vidual merchant banks in Birmingham has been something of a movable feast in recent decades. At one stage, the American investment houses of Bankers Trust, Bank of America, and so on. Today, these have largely departed. A number of UK merchant banks have also come and - at least, in terms of any strong pres-ence - gone. Here, the names might include Charterhouse, for example, or Hill Samuel. Nor, it should be said, do

many of the top-line corporate finance houses have much regional representation. The triumvirate of S. G. Warburg, Schroder Wagg and Morgan Grenfell, which have dominated the merger and acquisitions tables for the past few years are conspicuously

ers on the Birmingham scene tend to stress is the strength of

That said, it would be a mis-take to conclude Birminghambased merchant banking activity is dead. On the contrary, the merchant banking arms of the clearing banks - BZW, County NatWest and Lloyds Merchant Bank - are well-repsented and busy, and a number of smaller merchant banks

benking" is taken its broadest sense, it is worth noting that a icant presence. The recently-formed West Midlands Interna-

have active branch offices. Moreover, if "merchan

number of indigenous busi-ness, like stockbrokers Albert E Sharp, have made inroads into this area, and that some formidable investing institutions, like 3i, also have a signiftional, Investment and Mer-chant Bankers' Association counts some two dozen members - including some overseas bank representatives. The one point which all play-

the ancilliary services. The city, they argue, is well ser-viced by both the rapidly expanding accountancy firms and a good supply of legal



Merchant Bankers' Association. Left to right, five committee members: Mr Maurice Maleh of Banque Nationale de Paris; Mr Peter Williams of 3L Mr John Barker (the association's chairman) of Kleinwort Benson; Mr Roy Clifford of the Bank of England, and Mr David Hammond of Barclays Bank International Services.

able with the local expertise as with any Loudon firm." tor at County NatWest.
With this in mind, the local industry maintains that it is both possible and efficient to service Midlands-based companies on their doorstep, saving the hassle and time-wasting which a regular succession of trips to London can entail. In short local merchant banking

Local offices can also be jus tified as a useful conduit to the more daunting City-based

organisation. There seems lit-tle doubt that some organisations see their regional representation as a means of attracting small and mediument lists. The local representa-tives provide a less forbidding face, supply valuable local knowledge, and act, to a cer-tain extent, as cultural inter-

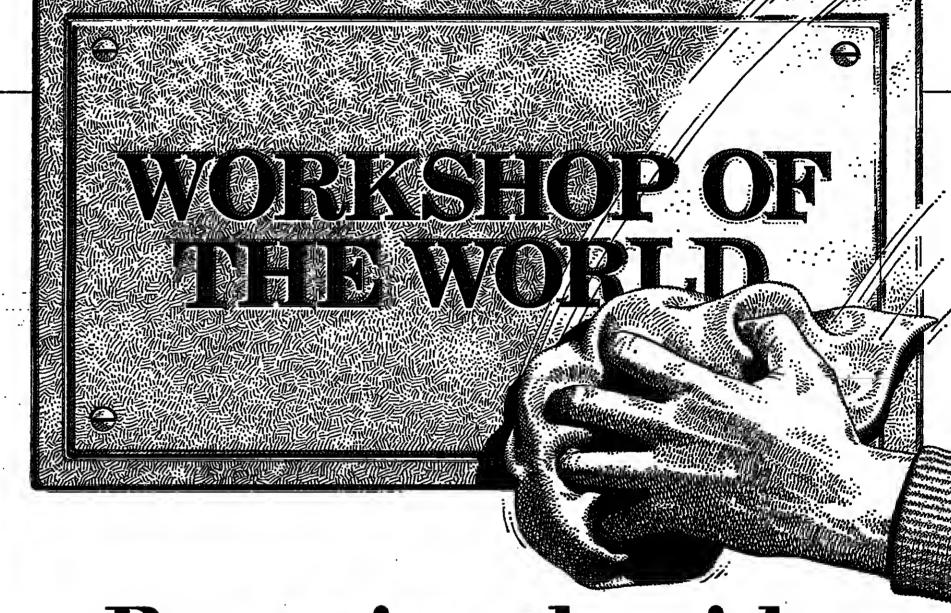
Certainly, the balance of activity undertaken by the Birmingham-based merchant banks offices is slightly different to that of their head

put on the supply of fairly modest funds, and on the management buy-out/development most active at the local level concede that a client caught up in contested bid activity, for example, would tend to be advised predominantly by their

City office.
The usefulness and the extent of the local development capital role – though lacking the glamour of mega-bids – should not be underestimated. Deals, though scarcely chunky in City terms, can be significant. County's Birmingham

office, for example, boast the \$26m buy-out of Vulcan Materi-als, now renamed AMG Indus-

And local players would argue that it is this sort of work which can - with a bit of patience — lead to future opportunities. After all, of the 20-odd Midlands companies coming to market in 1987 and 1988, the majority were sponsored by Birmingham-based organisations. "This," says one merchant banker expansively, is my nursery for the future



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The surplus space of the mid-1980s has all been mopped up

Office rents rise attracts investors

DEMAND FOR offices in Birmingham has been such that, in some cases, estate agents have signed up leases before they have had time to print up the particulars of the

It does not happen all the time, but it does denote a major change in the market since the mid-1980s. Then, recalled Michael Corbett of Grimley JR Eve, chartered surthere was two years supply of space on the market, based on an absorption rate of between 250,000 and 500,000 sq

In those days there was only a small demand for large chunks of space. Now there is very little large space to lease anyway. There will be a space shortage for the next two years, so rents will rise considerably," predicted Simon Quantrill of Chesterton, chartered

From about 1985 the surplus space on the market – and in this respect Birmingham was little different from other regional centres - has been mopped up. The accountants were the first to move in, followed by the banks, insurance and computer companies, and finally the solicitors. The demand has largely been local, in response to the growth of the economy, even if some has

of national companies. There has not been a flood of companies migrating from London. There are hopes in Birming-ham that local demand will be underpinned by decentralisa-tion from London. Mr Corbett conceded that such hopes have been expressed before and not realised. Still, accommodation costs have been climbing sharply in the South East and the economic arguments in favour of cheaper centres have never been stronger.

So far though companies migrating from London have tended not to move very far and Birmingham has certainly not been a favoured destina tion. But the Property Services Agency, on behalf of the Gov-ernment, is believed to be looking for 350,000 sq ft in the area and major financial institutions have been seeking to move administrative staff out of high-cost London locations.

For the moment the whole question is a little academic because there is nowhere for them to go. Grimley JR Eve has calculated that, in units of more than 5000 sq ft, the total amount of accommodation currently available in central Birmingham is just over 80,000 sq

Seen against a total office stock, put by the Birmingham City Council at 17m sq ft, this is a tiny amount, making BirCity of London last year. But the shortage has in its turn stimulated development.

Existing construction plans mean that a further 413,500 sq ft should come on stream in the city centre and a further 297,000 sq ft in Edghaston, the nearest other location. by the end of next year. But, noted

"The agent's barrier of £10 a sq ft came and went like a pussy cat some months ago"

Grimley JR Eve, only 176,500 sq ft in the city centre and 135,000 sq ft in Edghaston are actually available: the balance of the projected space has been e-let. Again a mirror image of central London.

Only two of these schemes are more than 100,000 sq ft in size - a development by Wesin the city centre, half of which is for its own occupation with the rest under offer, and another by Embassy Develop-ments in Edgbaston that will offer small units, most of which have been pre-let or

Over the longer term, there are plans for nearly 1m sq ft of development including developments of over 100,000 sq ft by Barclays Bank, Henry Boot, British Rail, MEPC and John Laing Developments – the last just selected by the Post Office for the refurbishment of its main Birmingham building which will have 150,000 sq ft of office space.

What has prompted all this activity, after some years of sluggishness in the develop-ment market, has been the rise in rents as the space shortage has bitten. "The agents' barrier of £10 e sq ft came and went like a pussy cat some months ago, said Mr Corbett. Grimley JR Eve has done a deal at £15, while Chesterton has a property under offer at the same Those figures apply to the city centre, but nearby Solihull's costs are much the same. Reots in Edghaston tend to be lower but have touched £10 a sq ft. Now there is talk of

prime properties fetching £20 e sq ft before the market reaches a plateau. But the higher level of rents has not only drawn in develop-ers. It also heightened investment interest in the market. This was probably inevitable. Institutional buying interest has tended to spread out from London this year, helping a

narrowing of yields on prime properties to about 6 per cent. Individual and corporate interest has also spread to the secondary office market, com-ing from local and London sources, where it has been pos-sible because of the earlier low base of rents to acquire buildings for relatively modest sums, refurbish them and dou-

ble the revenue stream. The strength of the market overall is now prompting fears that potential city occupiers might be pushed out to lower cost areas like Coventry and Redditch. Some competition is in any case coming from ventures like the Birmingham Business Park of Arlington Securities, the plans of Erostin Developments to build a new complex close to the airport --although there are planning constraints on both of these -and the plans of Richardson Developments to add 300,000 sq ft of offices to the retail and leisure complex at Merry Hill Dudley. The physical shape of the Birmingham office scene is, in any case, on the verge of change. Work to put the inner ring road underground and pedestrians overground will break the collar around the city centre. At the same time the developing International Convention Centre, just outside the inner ring road, with all of its commercial ramifications will act as a bridge between the city centre and Edgbaston. This should help to create a more unified market.

Paul Cheeseright

RETAIL PROPERTY

Developers swoop

down on Birmingham and if all their schemes come to fruition then the retail landscape will change significantly. But it remains to be seen whether the hopes of 1986 and 1987 will look quite so bright in 1989 and 1960

The importance of Birmingham as a regional shopping centre goes without saying and that is not going to change because of blips on the economic picture. But the Government is trying to rein in consumer expenditure through higher interest rates, and retailers are beginning to feel their margins tighten.

With large amounts of new space coming through, or into, the Birmingham pipeline and retail wholeheartedly adopted as a means of urban regenera tion, it would be unnatural if there were not some disap-pointments, some delays in winning the anticipated yields, somewhere in Birmingham over the short/medium term.

It is perhaps significant that one major retail investment possibility in Birmingham has been on the market for several months and has not been taken up. This is the Bryant development of The Pavilions, funded by Royal Life - a 250,000 sq ft shopping centre which opened in 1987 and which has drawn in record rents for the area. Some leases have been signed up at £150 a

sq ft Zone A.

The Pavilions though, allied to the refurbishment of The Pallisades by the Norwich Union, arguably marked the

of central Rirmingham, They of central farmingham. They have been followed by the opening this month of Ladbroke City and County's City Pizza, which combines specialised shopping facilities with an office development.

Construction has started on

the redevelopment by Color Properties and Rush & Tomp-kins of a former Debenhams store and Avatar, the joint venture company of London and Edinburgh Trust and Balfour Beatty, has a retail ele-ment in its Moor Street e, adjacent to the Buli

The Bull Ring is the best known of the Birmingham shopping centres. London and Edinburgh Trust bought it from Laing Properties last year and since then has been working on designs— more than 20 different schemes so far— for its redevelopment. Outline planning consent is

already in place for what will be the largest of Birmingham's new generation shopping schemes et more than 1m sq ft and Mr Nicholas Ridley, the Environment Secretary, has decided not to intervene. Con-struction should start in 1990 on the project which will be called The Galleries. This is one of those schemes on which Prince Charles keeps an eye.

The next major scheme is part of the Convention Centre development, The Birmingham City Council selected a consor tium of Merlin International, Shearwater, the Rosebangh subsidiary and Laing to develop 26 acres. The developmarketplace, jargon for speci-ality shopping leavened with entertainment as at Covent Garden in London, of 150,000 sq ft and a further 50,000 sq ft of ancillary shopping.
With all of this going on in
the city centre, it is not sur-

prising that Birmingham City Council has decided to oppose the competition implicit in the application from George Har-ris and Associates, backed financially by Standard Life, for a new 830,000 sq ft complex outside the city centre at Fort Dunlop. The public plan-ning inquiry will be next year. So far the only major out-of-town shopping centre in the Birmingham area is the Richardson Developments' Merry Hill project at Dudley, in the Enterprise Zone, where more than 1m sq ft is being welded on to what was basi-

Planning consent also exists for a major centre at Sandwell, but the failure of Color Proper-ties to get the project off the ground and the subsequent failure of the local authority to reach a development agreement with Cameron Hall Developments, has meant a new selection process is under-way to find a developer.

cally a retail warehousing

Meanwhile the push for retail warehousing sites goes on. Lack of sites has prevented the spread of retail warehousing parks although there are plenty of first generation sin-

Paul Cheeseright

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INDUSTRIAL PROPERTY

Surplus space eaten up

ANYBODY who had suggested three years ago that it would be possible to sign up tenants for industrial and warehouse property on a 25-year lease or that there would be an active demand for freebolds would have been seen as crazy.

But the Birmingham market, a case of peaks and troughs if ever there was one, has been climbing to the highs again, Simon Lloyd of Chesterton, chartered surveyors, noted that his company had 15m sq ft of industrials on its books in

11m sq ft in 1982. Now it is down to 500,000 sq ft. Birmingham City Council has calculated that, overall, industrial and warehouse space fell during 1987 from 7.3m sq ft to 4.1m sq ft, and, in the first three quarters of this

year, fell again to 1.6m sq ft. This experience is not excep-tional. The West Midlands economy has been reviving in line with the national economy. King and Co, chartered surveyors, has demonstrated

that the amount of industrial floorspace available in England and Wales has declined steadily since the last quarter of 1982. At any rate, agents no longer have to offer inducements, like

rent-free periods and short leases, to persuade companies to take space. Demand has eaten into the over-supply and although construction costs have risen, rents for new properties have been reaching the point where developers feel secure enough to build new

"The magic figure is £3.50 to encourage development," said Michael Glover of Chesterton, For new property rents are being quoted in the £4.00£4.50 range, for modern property between £2.50 and £3.00 and for old property up to £2.00.

These rents have been reached against the background of a transformation in the economic base. As the importance of heavy engineer-ing has declined, large plants Continued on next page

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Bringing Certainty and Economy to Capital Projects

BIRMINGHAM 7

THE SIXTH floor Birmingham office of Mr Alan Osborne, chairman of Tarmac Construction, does not command the kind of view to arouse jealousy among his executive col-Jargon for special leaves of the same services of 150,000 to the same shapping.

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Straight shead stand three of Europe's largest gasometers; a rundown and underused canal is on the left; and the rest of the landscape is littered with a motiey collection of industrial buildings and high-rise flats.

"It is not the garden centre of the world," admits Mr Osborne. If he gets his way, however, both the view and the area as a whole will be radically improved.

As well as chairing Tarmac's construction subsidiary, Mr Osborne is chief executive of Birmingham Heartlands, a pioneering partnership between Birmingham city council and the private sector to transform 2,300 acres of one of the city's most depressed areas into a thriving centre for commerce. industry and the local commu-

nity.
The 21bn development plans for parts of Saltiey, Aston and Nechells, to the east of the city centre, include the creation of a high quality offices and hotel complex, retailing centres, a variety of industrial premises, leisure facilities such as a water sports complex and a National Floral Centre, and about 1 000 pers berner.

about 1,000 new homes.

Many of the Heartlands area's 6,000 existing homes would be refurbished. The project also envisages environmen-tal improvements such as the screening of unsightly areas, the planting of trees, renovat-ing the canal system and even inting the gasometers. If all goes according to plan, the project would create

irst generation an between 18,000 and 20,000 jobs Paul Cheeserigh within 10 years and many of these would be taken by the 16,500 residents in the four by



Birmingham Heartlands

A pioneering partnership

Set up last February, Birmingham Heartlands is a pri-vate company which is owned by the city council (35 per cent), Birmingham chamber of commerce (1 per cent) and five construction companies Bryant, Robert M. Douglas,
Galliford, all of which are
local, and Tarmac and George
Wimpey - who have equal
shares of the remaining 64 per

It has no direct powers over the area it seeks to transform; its role is to co-ordinate, per-suade and cajole the council, the government, local landowners and other developers to ensure the success of the

Labour-controlled Birming-ham is perhaps not the most likely setting for an innovatory project to test the Govern-ment's ideas for encouraging private enterprise to take a more active role in inner city regeneration. The council,

however, was attracted to the scheme partly because it was seen as an alternative to a government-imposed urban development corporation (UDC). Under the Heartlands scheme the city retains the

planning powers it would have lost over the area had a UDC bean astablished. And, although the project will cost the city money in infrastruc-tural development, between 29m and £12m is expected to be provided by the five construc-tion companies for seedcorn investments over the 10-year development period. What is in it for them?

Certainly there is nothing in the immediate history of the area to inspire confidence. In the last 10 years, local industry declined markedly and the number of jobs has fallen by a half to 9,000.

Although internal transport communications in the area are poor, external links are tially excellent because of closeness of Spaghetti

access to Britain's motorway network. Aston science park and the nearness of the ICC itself could also prove a carrot to companies considering locating in Heartlands.

For the five construction companies, there is a certain amount of pride and prestige attached to taking up the Government's call for business to involve itself more closely with local communities. But they would presumably not be doing it unless they thought they had a good chance of recovering their £9m to £12m seedcorn investment and a good deal more besides.

The five companies aim to recoup the seedcorn capital by charging, through the Heart-lands company, fees to the landowners property owners who make money by taking part in the scheme. But if all goes well the five will make bigger profits from their indi-vidual construction projects in

Perhaps Heartlands' most difficult task is to persuade the Government that it is worth the £150m of state funds estimated as being necessary for infrastructural development such as developing trunk roads, treating industrially contaminated areas and diverting and replacing obsolete or

n-down services. Mr Osborne believes the Government would tolerate a state funds/private funds spending ratio of 5 to 1 but in the initial stages it may have to be more like 2 to 1. Unlike the UDCs, which are allocated a fixed amount each year, Heartlands will have to apply for grants on a case by case

Although Mr Nicholas Ridley, Environment Secretary, championed the scheme and his Cabinet colleagues strongly support it, they will want to be convinced that Heartlands is meeting its objectives as they consider each application. Heartlands also has to per-

suade more local landowners that it is worth their while tak-ing part. Land ownership in the area is widely spread.
So far about 130 acres are in the land pools which Heartlands is organising. Much of this is in the prime sites which are needed for the project to succeed but perhaps another 70

acres are needed for the full targets to be met.
In addition Heartlands needs to win the support of residents. Local people are concerned that too much emphasis is being given to the needs of

ess and not enough to the

community. The Heartlands Residents' Action Group also fears that outsiders will fill many of the jobs created because of skills mismatches. The cansus of 1981 showed that less than 5 per cent of jobs in the area were occupied by local resi-

Heartlands is hoping that a community trust will be set up, community trust will be set up, comprising representatives from business, the council and the residents, to protect the interests of residents. It also sees one of its major roles as coordinating a series of initiatives to match education and training to future samplements. training to future employment

A training centre is planned and companies involved in Heartlands are being encour-aged to form employment com-pacts with local schools.

All of this, says Mr Osborne, is vital to the ultimate success of Heartlands. The scheme is about much more than developers making money," he says.
"In the end our success will be judged on the number of jobs we create, how many of them are filled by local people, and the environmental improvements which are made to the Michael Smith

NEW HOTELS

Sprouting up

existing plans hold firm, sprouting up all over Birmingham. This not only involves an extension to the Metropole at the National Exhibition Centre

the National Exhibition Centre or the development of Hyatt Regency in the city centre. It also involves providing hotels in wider property schemes.

Thus there will be hotels in the Avatar development near to the Bull Ring and in the Moville Character Laing. Merlin-Shearwater-Laing scheme adjacent to the Convention Centre. By the early

projects, there will be ten other new hotels, major refurbishments or extensions.

Over the longer term, where the plans are more shadowy, the Aston Science Park might have a hotel and the National Exhibition Centre might have a motel. Warwickshire County Cricket Club is mulling over the prospects for a hotel at the Edgbaston cricket ground, and if the Fort Dunlop shopping complex is ever built there will probably be one there too.

SHELTERED HOMES

Surge of activity

at the Birmingham City Coun-cil is said to be inundated with plans for new nursing homes. It is an indication of the surge of activity both for nursing homes and for residential homes catering for the elderly. Most of this activity has come from contractors or from small private companies especially set up for the purpose, so the actual extent of it is diffi-cult to monitor. But, from the developers point of view, the homes need to be in highly populated areas so that there is ready access for staff and they

will tend to be in the suburbs because of land prices.

Nursing and residential homes compete with the house-builders for land, and prices have been running at around £1m an acre. Costs of develop-

ment are comparable to those of a hotel with an addition, per room, for specialist equipment. In the City of Birmingham there are 20 residential homes with 2,141 beds and 22 nursing homes with 581 beds in the vol-untary and privste sector. With public sector homes, they cater largely for the 15.2 per cent of Birmingham's near Im population which is of pension-able age.

The splurge of activity in the spuige of activity in this sector, suggested James Hall of Chesterton, chartered surveyors, means that "saturation will be reached shortly then the owners will have to upgrade quality." The City Council has meanwhile introduced guidelines which specify that the ratio of sheets to don. that the ratio of single to double rooms must be at least 75-25 in any residential home.

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have been either split up to provide the smaller units for light engineering and services or have simply been demolished to make way for new

In all there is about 300 acres of industrial development land available in Birmingbam although many of the sites are small. But land is being made available on and outside the periphery, encouraged by the Black Country strategic plan-ning guidance from Mr Nicholas Ridley, the Environment

Secretary.
. To meet the needs of the Black Country short-term provision of about 60 bectares (14825 acres) should be made for high quality industrial development, and not necessarily on one site, says the guid-

The thrust here is for low density accommodation in a landscaped setting with easy access to the motorway sysbe no lack of demand in the market place. Motorway improvements like the northern ring road and the western orbital road have been sour-ring developers. Demand is strongest close to motorways with a particular burst of interest in the opportunities offered by the extension of the M40, to

link London via Oxford. This opens up the whole question of the B1 phenome-non, where industrial property shades into office property through the application of a general business category in

Surplus space The first and established manifestation of this phenome-

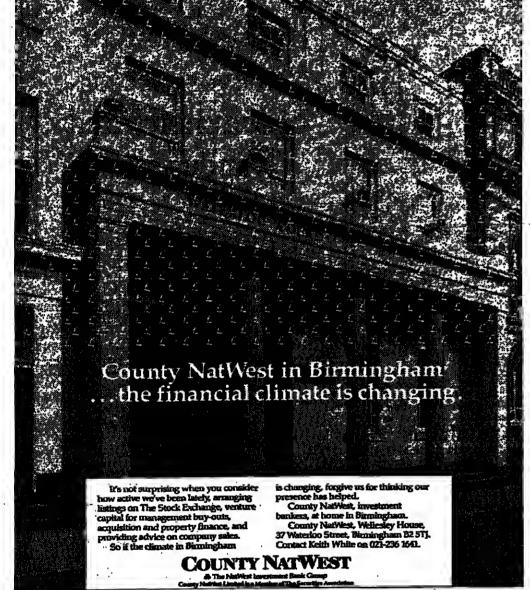
non, once called high tech, was the Aston Science Park, a phased development by the University of Birmingham, the City of Birmingham and Lloyds Bank. The second gen-eration has come through with Arlington Securities' Birmingham Business Park, where the first space available was taken by high technology companies, and now there are proposals from Erostin Developments for a new park near the airport and directed at the aviation

industry and airport users. Such development attracts rents at more than double the level for normal industrial property. It is a sign that developments, long associated with the M4 and M3 corridors further south have been spreading northwards.

But space is also being sought for distribution and warehousing facilities to take nications factors which interest business park users. The Midlands as a whole has been gaining in importance as a region for large-scale distribution points and this market

The most striking example is Magna Park, near the M1-M6 junction, a development by the Church Commissioners and Gazaley Properties, part of the Asda group. Another favoured area is near the M5-M6 junc-tion, but space is much tighter.

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BIRMINGHAM 8

Richard Tomkins reveals (with a nod to The Sun) the astonishing truth about Britain's second city

Twenty things you didn't know about Brum

• In 1086 the Domesday book recorded Birmingham as a place of 12 people and three ploughs with an estimated value of £1. The city today has a

population of just under Im and the city council's annual budget is fibn - bigger than that of many nation states. • The tap water in Birmingham is arguably the most delicious of any big city in the world. It comes fresh from the Elan Valley in Wales through giant pipelines. The rich ethnic diversity of Birmingham's population

has given rise to the favourite local joke: "How can you tell

MENTION THE words "Birmingham tourism" to a

group of people and the chancee are that they will respond with a series of loud

gustaws. For the city, however, bringing people to Birmingham is big business and it is playing

a vital part in the regeneration

This year visitors are esti-

mated by tourism officials to have spent more than £390m

during their stays in and

around the city. They have provided jobs, either directly or indirectly, for about 71,000 peo-

course, drawn by the National

Exhibition Centre and the

city's other business-related

trying hard to get the message

across that it is more than just

a place to hold meetings and

MAKE NO mistake: if you are under 23, like loud music in crowded bars, and tend to round off the evening in a

curry house with a meat vinda-

loo of uncertain provenance, then Birmingham is your kind

In any other case the place

could come as something of a disappointment, especially to

those lured by the outpourings of its publicity machine. For all its attempts to convey the

impression of a place bursting with art and entertainment,

Birmingham still manages to live up to its reputation as a

Its blandness is due to a

combination of factors. One is

that it has grown to its present

size only in the last century or

so; another, that its predomi-

so; another, that its predomi-nantly industrial base has not been conducive to artistic achievement; a third, that its proximity to London has dis-couraged the emergence of an independent cultural identity. Its night life is the casualty

of a more recent trend. Excel-lent road links and attractive

surrounding countryside have encouraged people who might have supported a more sophis-ticated range of entertainment

options to move out of the city into dormitory towns and vil-

of city.

cultural void.

Birmingham is, however,

of the area.

population.

roadbuilding may have disfigured the city but it keeps the traffic moving. Average rush-bour epeed is 17.6 mph against 12.2 mph for London and 11.7 mph for Manchester. People in Birmingham are car crazy. The customary form of greeting on being introduced to a Brummle is not "How do yon do?" but "How'e the motor?"

a Brummie?" "By the

Birmingham Stock

England's seven stock

shamrock in his turban."

Exchange is the only one of

exchanges still operating a

trading floor.

Birmingham's passion for

 Last month hundreds of railway passengers and all the early morning trains had to be diverted from the city centre's Snow Hill station to another terminus when the man with the station keys failed to show up for work. Birmingham's origins are Anglo-Saxon. The name means the homestead (ham) of the family (ing) of Beorms.

There are 175 companies in the city that have been in business for a century or more The oldest — Firmin and Sons of Aston - was founded in 1677 and still makes badges and buttons.

Bournville, the

Quaker-inspired suburb of Birmingham built by the Cadbury family for workers at their chocolate factory, has no pubs.

Prof Edward Hitchcock, the brilliant Birmingham neurologist who recently carried out the world's first brain tissue transplant,

collects hats. A relic of the city's gun-making history lies in the Birmingham Gun Barrel Proof House in Digbeth - the only proof bouse outside London still testing guns for safety.

Birmingham has more miles of canals than Venice (but not as many palaces).

Corinthian town hall — copied from the Temple of Castor and Pollux in Rome — was designed in 1834 by Joseph Hansom, inventor of the cab that bears his name.

Birmingham's World of Eating, a guide to local

the city's hotels.

That number will undoubt-

edly increase as the £1.2bn

worth of developments in Bir-mingham progress. City plan-ners are determined to avoid the mistakes of their predeces-

sors and in the current phase

of development strong empha-sis is being placed on the needs of pedestrians.

And at the International Convention Centre develop-

ment 1 per cent of the expendi-ture budget has been set aside

for the provision of works of

restaurants, devotes half a page to the caleteria at Tesco's Five Ways superstore ("always erous helpings of kept-warm lunches sausages, beef curry or the roest of the day; plenty of cakes").

Neville Chamberlain, the

former premier and son of the city's founding father, Joseph,

• If all the black puddings eaten in Birmingham in a single year were laid out end to end along the A47, they would stretch to Nuneaton and back three times and create a severe traffic hazard. ten the process of tapping the potential of its canal system. Birmingham's waterway sys

tem will never rival that of Venice but parts of it will pro-

vide a focal point for visitors,

allowing them to explore some

was Lord Mayor of Birmingham from 1915 to 1917.

Birmingham's two most

famous present-day citizens are Denis Howell and Jasper

politician, the other a comic.

Tiger, the cat that keeps
the mouse population under
control at Birmingham's
council house, is a member
of the National Union of Public

Carrot, one of them a

of the city'e industrial history and architecture. Combined with events like the jazz festival and the Super Prix, the canals and rich industrial history can help put Birmingham on the tourism map and, hopefully, play a part in ridding the city of its colour-

The building of the ICC has Michael Smith also prompted the city to has-

TOURISM

Tapping the potential

exhibitions. A wide series of initiatives is in plece or planned to both attract leisure tourists and to convince the business visitors that, ouce they are in the area, it is worth their while to stay around for a few extra days. The campaign - which

ple or 10 per cent of the West Midlands urban area's working includes the staging of yearly events such as the Super Prix motor race in the city centre, Both tourism-related revenue and employment are grow-ing fast and to cope with the expected demand at least 25 the improvement and promo-tion of the city's 260-mile canal network and the sale of "warm-hearted weekends" in the city — is also aimed at ridding Birmingham of its dour two star hotels or above are either being built or planned to add to the 150 which already Most of the visitors are, of

and unattractive image

The City was irked by Prince Charles' recent criticism of its architecture in a recent television programme but few claim that it is a place of great beauty. In selling itself to the world Birmingham has to stress qualities other than aesthetics.

lages. Once home in their cosy country cottages, they are reluctant to drive back into the

The result is that Birming-bam at night looks stricken by

a neutron bomb: all the build-

ings still there, but the people destroyed. The only flurry of

activity is between 10.30pm

and 11pm when the pubs and bars disgorge their youthful clientele into the late night

curry houses or the last buses

It would be wrong to suggest that there is nothing to do in the evening. True, there are only three cinemas left: but there are also three theatres, a

lot of restaurants, some disco-

theques, and the city's pride and joy: Simon Rattle and the City of Birmingham Symphony Orchestra.

The visitor arriving in Bir-mingham today, however, might find his options limited. On the thestrical front the Bir

On the theatrical front, the Bir-

mingham Repertory Theatre

back to the suburbs.

centre for the evening.

The man charged with head-ing the promotion campaign is Mr Philippe Taylor, a former chief executive of the Scottish Tourist Board who now occu-ples the same post at the Birmingham Convention & Visitor Bureau.

His job is helped by exhibition and conference facilities which few, if any, British cities can match. However, Mr Taylor believes that that is not emough. "We have to go one stage beyond saying that Bir-mingham is an efficient place to have meetings and do business," he says. "We have to create an identity for the city. People do not come for a build-

ing they come for a place."
It was this kind of thinking which led Mr Taylor to conceive the advertising slogan Birmingham: The Big Heart of

The idea is that it is a warm, friendly place whose communi-

and Rirmingham Hippodrome

are closed for the week. The Alexandra Theatre, reknowned

for its trouser-dropping farces

of the Run-For-Your Fur-Coat

-And-No-Knickers-Please-

We're-British genre, is open with a rib-tickling comedy

called "Happy event". But all

three theatres are about the launch winter-long pantomime

Turning to music, Simon

Rattle is world-renowned as a conductor and constitutes an

enormous, if isolated, feather

in Birmingham's cap. But as for seeing the man, it is a case of catch him if you can he is

only due to perform 17 times in

Birmingham in the 1988/89 sea-son, and the tickets were sold

rants as Birmingham and yet

rams as himingnam and yet remain such a gastronomic desert. The city is consistently slighted by the world's good food guides – none of its res-taurants gets a single rosette in the latest Michelin guide or

a star from Egon Ronay. The city makes great play of its numerous Indian, Pakistani

and Chinese restaurants, and these do offer good food at eco-

nomical prices. Few, however, have the sort of ambience to attract the business visitor.

There are also considerable gaps in the range of eating options. There are no cheery

bistros, no cafes that spill out onto the pavement in the sum-mer, no Japanese restaurants despite the considerable Japa-nese presence in the Midlands.

And worst of all, nothing that

reflects Birmingham's heritage or offers any local character. Late at night, too, there is a

before the ink was dry. Where food is concerned, few cities can have as many restau-

\$2250DS.

ENTERTAINMENT.

Beer 'n' curry

cations network and geographical position put it in within easy reaching distance of such places as Stratford-Upon-Avon, Warwick Castle and the Severn The attractions of the city

itself are listed in a bureau booklet entitled 101 Things To Do And See in Birmingham which recommends the city's shopping facilities, museums and art galleries as well as vis-its to the National Motorcycle centre and Moseley Bog, "nine acres of wetland flora and

The last suggestion and the title of the book will no doubt bring e wry smile to the faces of cynics but the fact is that people do want to visit the city for itself. Since the bureau launched the city's warmhearted weekends promotion last December more than 1,500 people have taken up the

chance for a £20 a night stay in

marked absence of throbbing. Forget the post-theatre dinner: 10.30pm is bedtime in Birmingham, and that is when the

pubs and restaurants close,

There is little consolation to be found in the day. If you want to nouplus a Brummie, try arriving in the city with a couple of hours to spare and asking him what you should

Birmingham is a curiously soulless place, lacking the sense of history, tradition or culture that gives the world's more interesting cities their. appeal. An awareness of this mingham to rediscover its canals and jewellery quarter, but there is an air of despera-tion about its efforts to exploit

There are interesting things to see around Birmingham -Stratford-upon-Avon, Warwick Castle, Ironbridge and the Rlack Country — but not in the city itself. The shops are functional and dull. The Art Gallery has a fine collection of Pre-Raphaelites and there is a good spice of the city of the collection of the co good science museum, but that is just about it.

it is important to stress that local people are largely content with what Birmingham can offer and that few of these shortcomings would matter e jot were it not for the city's aspirations to international

Birmingham has nevertheless staked its future on the degree to which it can attract business tourism from the rest of the UK and oversess, so its ability to entertain is vital. It is making an effort with events such as its jazz festival, the Super Prix road race and a readers and writers festival: but a gulf still separates it from cultural parity with the likes of Frankfurt, Barcelona

Richard Tomkins

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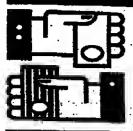
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SECTION IV



Although the economy is in fine shape, says Alan Friedman, a bitter and public battle is

raging. Rich industrial concerns want to take control of banks, but the normally low-profile Bank of Italy fears that this could lead to serious conflicts of interest.

The Bank stands firm

IN OVERALL terms, the state of the Italian economy has rarely looked better. The fruits of industrial restructuring since 1980 are plentiful, and corporate profits are continuing to grow healthily.

Inflation is below 5 per cent Inflation is below 5 per cent and stable. The GDP growth rate this year looks as if it will be 3.5 per cent; capital inflows have been sizeable; and the coalition government of Prime Minister Ciriaco De Mita is even making headway in applying a medium-term plan to attack the country's gigantic public sector deficit.

Italian industry is ever-more

Italian industry is ever-more conscious of the need to pre-pare for 1992; and while ration-alisation in some sectors, such as telecommunications, remains painfully lethargic and politicised, progress is evi-dent in others such as chemicals and electromechanical

The great anomaly of the Italian economy remains the fact that, while the nation's industry is moving forward, its financial markets are still backward, incestuous and dangerously under-regulated. The Milan bourse, for all the prog-ress made in *relative* terms over the past decade, is still an insider's den of share rigging. The Consob regulatory authority still lacks the clout that gislative backing.

Even more worrying, for those who fear that Italy's hig handicap in 1992 may be a protectionist and feudal mentality at the top of its industrial/illnancial structure, is that lob-byists from hig industry have been labouring for 18 months to ensure that proposed anti-trust legislation will be watered down. It is highly milikely that, at the end of the day, Italy will have a British-style Monopolies Commission, a German-style Kartelamt or a US-style anti-trust division. Italy is still a country where raw power counts more than regulatory legislation.

The idea of throwing one's weight around on issues of

mational interest has been amply ilinstrated this autumn by the fierce public debate over the desire of big industrial groups to use the enormous item their belongs.

iquidity in their balance sheets to buy control of banks. Two years ago the Bank of Italy — which takes the firm view that it would be danger-ous if industrial companies were able to take majority stakes in banks - succeeded in dissuading the Agnelli and De Benedetti groups from buying the 98-branch Italian subsidiary of the Bank of America. The bank went to Deutsche



Governor Carlo Azeglio Clampi, of the Bank of Italy (left) vigorously defends his view that industry must not be allowed to buy majority stakes in banks. Mr Ceaare Romiti, Fiat chief executive and chairman of the Gemina investment company, disagrees

Italian Banking Finance & Investment

Now, the debate over industry and banks has reignited, and for two main reasons: industrial companies are flush with balance sheet liquidity; and everyone recognises the need to make Italy's banks more efficient ahead of 1992. As a result, the big guns of Italian industry have been trained upon Mr Carlo Azeglio Ciampi, the respected central

SOUND TO BE A CONTRACT OF THE PROPERTY OF THE PRO

bank governor whose opposi-tion to allowing banks to be bought by industrialists is seen as an impediment to the already notable horizontal expansion by manufacturing industry into publishing, newspapers, insurance, unit trusts

nd other sectors. The Bank of Italy does not like to admit it, but Mr Ciampi has already taken a thrashing from leading industrialists and economists who have launched a formidable press campaign of public declarations in favour of industry huying hanks. The central bank governor, in an interview for this survey, said he merely wished to preserve the regulatory and supervisory authority over the banking sys-tem that is enjoyed by his counterparts at the Federal Reserve, the Bank of England

or the Banque de France.

"I am not against Agnelli, Gardini, De Benedetti and Berlusconi buying minority stakes in hanks," said Governor Ciampi, "hut I am against them taking control of banks, because I am worried that there could easily be a conflict of interest in such a situation." Both sides of this debate -which has implications for the

Italian banks - are set out in

future ownership of some large

CONTENTS

The economy The stock market Foreign benks External borron **Guest articles** Carlo Azegilo Clamp Commercial banking

the pages of this survey. Mr Ciampi's views are contained in an article that was prepared by the Bank of Italy, while the view of the industrialists is articulated in a separate article by Mr Mario Monti, a leading economist who is both deputy chairman of Banca Commerciale Italiana and a member of the executive committee and board of directors of the Flat group, a company whose exec-utives have been at the forefront of the drive to invest in

the banking sector.

Wr Gianni Agnelfi, the Flat
chairman, speaking last June
at his group's annual shareholders' meeting, became the first authoritative voice to talk of how industry could participate in the privatisation of italy's largely state-owned banking system.

Since last summer the list of those differing with the Bank of Italy's policy has included: Mr Guido Carli, the former central bank chief who served until a few months ago as a member of Fiat's executive committee and board director. Mr Sergio Pininfarina, the Tur in-based president of the Confindustria employers' association; Mr Giovanni Goria, the former prime minister; the aforementioned Mr Mario Monti, who has made it a point to stress that he held his views before joining Fiat this sum-mer, and Mr Cesare Romiti, the Flat group chief executive who emphasises that it is not Fiat hut Gemina, the financial vehicle be chairs and in which Fiat is the single higgest shareholder, that wishes to huy

The substance of the debate is no less extraordinary than the list of those bearing the message. Mr Carli, for example, has attacked the political interference implicit in the nomination by the parties of top bank executives, and in top bank executives, and in this argument he cannot be faulted. Governor Clampi, how-ever, while expressing his full esteem for Mr Carli, responds that: "I am as worried about a bank manager who obeys his industrial shareholder as I am about a bank manager who obeys his political overlords."

It is no small irony for the apolitical Bank of Italy, however, that the main support for Mr Ciampi's position appears to be come the political parties themselves. And the final deci-

sion on the banks-and-industry issue could come in the new anti-trust legislation under ebate in the Senate.

Mr Monti, in the most coherent expression of the industrialists' view, says that, in "an ideal world", banks and industry should be separate, but that the under-capitalisation of Italian banks means that a weak equity market and a stretched public sector cannot supply fresh capital - only industry can. Mr Monti also says that, by taking control of banks, industry will provide better management.

The Bank of Italy replies that, firstly, it is simply not true to say that Italian banks are under-capitalised - a few banks are, but the national average capital ratio is now 13 per cent, up from 5 per cent in the 1970s. In addition, there is little evidence that the equity market cannot provide capital for privatisation share issues
- it has done so in recent years for the sale of minority stakes by banks such as Banca Nazionale del Lavoro, and is

Mediobanca share offer. Finally, says the central bank, the total excess capital in the banking system amounts to L20,000bn, while the total capi-tal deficiencies at a few institutions such as the Banco di Napoli amounts to less than L3,000bn. The solution, argues the Bank of Italy, is for cashrich banks to acquire other banks, which might also contribute to rationalising the entire system with its 1,100 separate banks.

doing so at present in the

Mr Marco Vitale, chairman of one of Italy's higgest unit trusts, points out that the problem in Italian banks is not only one of management, and dis-putes the notion that industrial managers are necessarily the most fit to run banks.

Senator Guido Rossi, a for-mer Consob chairman and the leading legislator involved in pressing for reform of the financial and banking sectors, says quite bluntly that he cannot see why banks would represent an attractive investment for industry as they are less profitable. Mr Rossi alleges that banks would he mere "pawns" in the bands of industrial companies.

Former Premier Goria has Continued on Page 8

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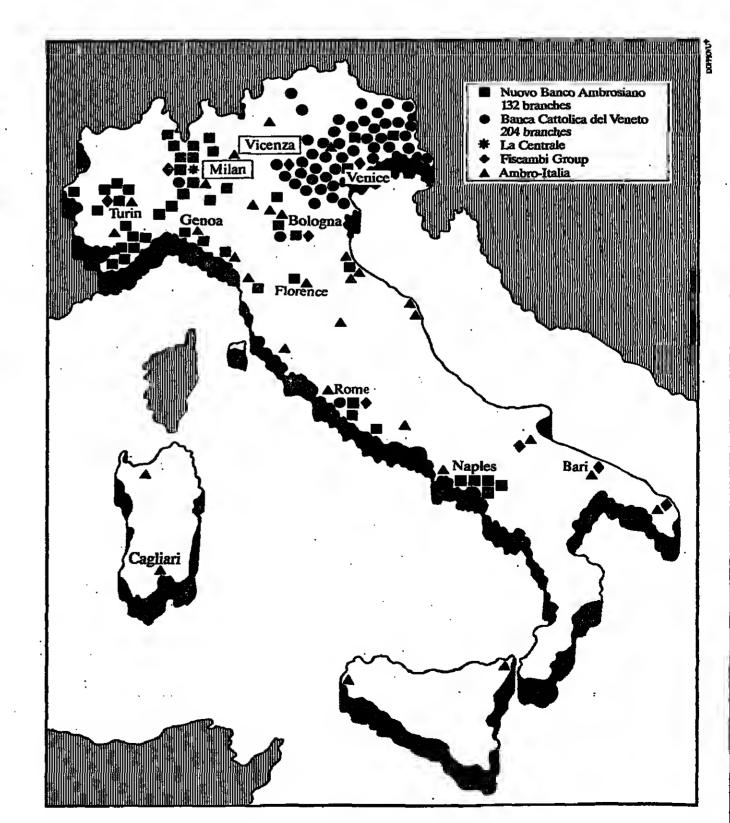
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The economy is in better shape than for many years

Investors display confidence

IN NO previous snapshot this decade has the Italian economy been smiling quite so broadly as it is at the close of 1988. Good fortune is combining with a strengthening of aco-nomic policy to produce the highest growth rate for 15 years, stable inflation, rising years, stable initiation, rising disposable incomes, an expansion of industrial employment and capacity, and the beginnings of a credible policy for stabilising the country's astro-

nomical public debt. investors have been demon-strating their confidence in a variety of ways. In manufac-turing industry, spending on new plant and machinery has leaped by 8 per cent this year in response both to strong growth of internal demand of around 4 per cent and a robust pull from foreign markets. Industrial output rose in the first half of the year by 2.6 per cent (seasonally adjusted) compared to the previous six months, and by 4.4 per cent over the first half of 1987.

the first six months came close to L7,000bn compared to only L500bn in the same period last year, contributing to a L1,900bn increase in the Bank of Italy's official reserves. Total foreign capital inflows of L11,000bn (first six months) have helped carry the global balance of the balance of payments to a nine month surplus of L1,878bn against a deficit of L1,530bn in the same period

On the domestic front, investment in government debt, vital for funding the pub-lic sector deficit, has been characterised by a drastic reduction in bank portfolios -L27,000bn in the first eight months - more or less compensated by an increase in household investments. Economic policy uncertainties in tha first quarter halted the slight fall in government debt yields which had begun the previous October and led to a marked preference for short-term issues. By the end of September, maturities of one year or less counted for close to 50 per cent of all govern-ment debt issues, a proportion more than twice as high as in

the same period last year. Unofficial estimates suggest that this might push govern-ment spending on interest payments up as high as L96,000bn this year, around L8,000bn above the total target. Howabove the total target. How-ever, a combination of high yields and strong liquidity has led to a major reversal of demand this autumn with a

Publi GDP Publi Total (nor

recovery

Government forecasts (% Increases) 3.0 Internal demand 4.2 Exports Consumer prices Government borrowing



Mr Giuliano Amato: now reviewing debt management policy

demand for four maturities. Mr Giuliano Amato, the Treasury Minister, is now reviewing debt management policy (or lack of it, according to many critics) with the aim of creating new instruments capable of lengthening the average maturity and lowering the interest rate costs of a total debt which passed one million billion lire in September.

Mr Amato can claim the lion's share of the credit for the autumnal shift in investor sentiment which was greatly influenced by the 1989 budget proposal adopted by the government at the end of September. For the first time in many years, an Italian government bas begun to address the absence of any real discipline in Italian public spending mechanisms within the framework of a medium-term plan

for stabilising the public debt. But in Italy, the govern-ment's budget can be one thing, the final result another. Within the parliament, this

it came into office in April shows up in more than a touch of budgetary improvisation, and there are many reasonable doubts about whether a clamp-down on fiscal evasion and a new regime for the self-employed can really produce the extra revenues which the budget proposal is counting upon. In the meantime, fiscal defi-

cits remain a source of demand expansion for an economy which could soon be pressing up against its capacities. Manufacturing plants are now run-ning at levels of utilisation not seen since the beginning of 1980 and certainly, were it not for a further improvement in the terms of trade due largely to falling oil prices, the trade deficit would be much worse. By the end of August, this had climbed to L7,286bn, s little more than L100bn above the deficit for the first 8 months of last year. After a mid-summer burst Italian exports had man-

aged an 11.5 per cent growth in value over the year before while imports were 10.8 per cent higher. The energy deficit had fallen from L12,196bn to L10,334bn. Data on trade quantities suggests that in the first half, exports had risen by around 6 per cent and imports by 7 per cent. The Bank of Italy remains

anxious about a 5 per cent increase in industrial unit costs this year and an inflation rate which is firmly lodged around the same figure and is about 3 percentage points above the average for the countries the currencies of which form part of the European Monetary System's exchange rate arrangements. Monetary policy will remain largely unchanged next year with a monetary growth target of between 6 and 9 per cent.

Employment, meanwhile, is rising and parts of northern Italy are suffering skill shortages. The average numbers of those in employment was about 1.5 per cent higher than 12 months earlier, with a specially marked increase of 1.9 per cent in manufacturing industry, the improved output of which has hitherto been based on higher productivity and overtime.

John Wyles

·	TALY!	S ECO	NOMIC	PRO	GRESS	(%)	(%)			
	1980	1981	1982	1983	1984	1985	1986	1987	1968	
Prime rate (annual average)	19.93	22.13	21.54	19.19	17.67	16.55	14.18	12.74	12,72#	
GDP growth	3.9	1.1	0.2	1.1	3.2	2.9	29	3.1	3.6	
Inflation (annual average)	21.2	17.8	16.5	14.7	10.8	9.2	5.9	4.8	4.8*	
Money supply growth	12.7	10.0	11.1	12.3	12.1	11.0	9.4	8.4	7.75	
Credit to private sector	16.4	13.5	13.4	13.2	15.6	12.9	11.4	10.3	15.15	

autumn's hard fought battle to

abolish secret voting on bud-getary and other issues should

give the coalition stronger con-

trol over its supporters, but

considerable damage to budget-ary targets could still be

wrought within the various

The importance of reaching

the overall deficit target for

next year of L117,300bn or 10.2

per cent cannot be overesti-

mated. This decade has been a sorry tale of rising deficits

betraying their original budget-ary intentions — this year's final outcome will be in the region of L118,000bn against an

original, vainglorious ambition

Mr Amato's plan is to bal-

ance current spending net of

interest payments by 1991-92 and, as a beginning, the 1989 budget current spending deficit

is targeted to fall from this

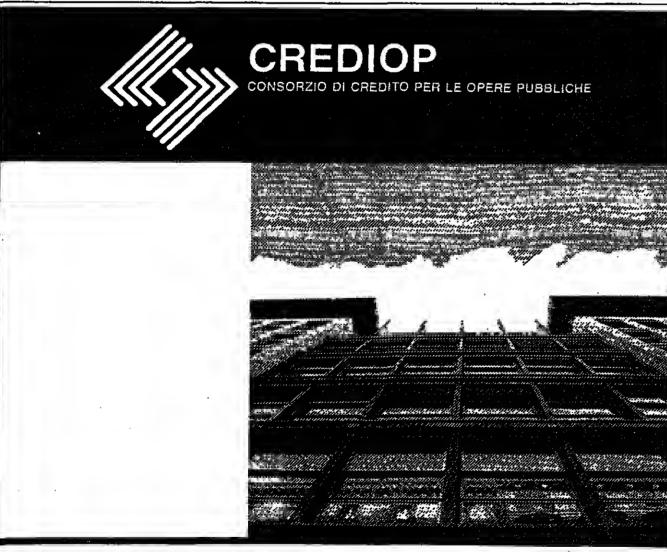
year's L30,000bn to L21,000bn. The haste with which the gov-

ernment has had to plan since

of L103,500.

parliamentary committees.

ITALY'S ECONOMIC PROGRESS (Lbn)									
	1980	1981	1982	1983	1984	1985	1986	1987	1986
llo sector deficit	37,715	53,826	76,663	90,749	102,247	119,319	110,133	114.289	118.500°
	390,432	468,049	545,124	633,571	727,798	815,630	902.238	962,595	1,068,327*
ilic debt al financial assets	228,240	283,130	361,564	455,543	560,883	682,564	793,096	909,963	1,006,075‡ .
on-state sector)	385,461	455,619	542,614	655,287	785,597	928,281	1.094.923	1.243,688	1.339.005##



MEDIUM AND LONG-TERM Capital and Reserves: 1,469 billion Provisions: 1,314 billion Lire. Loans outstanding: 19,211 billion

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THE STOCK MARKET

Departing Fumagalli chides Milan's 'club of insiders'

THIS MARKET has been taken for a ride too many times. The big groups have manipulated it, prices have been rigged and the share deals have generally hurt the small investor. All investors here are like Jesus Christ; they are crucified. And the bourse in Milan is a club of insiders, made up of the big groups, a few shareholders and the bro-

Strong words, these. But they do not come from a leftwing politician, nor from the leader of some shareholders' ginger group. The man who made the comments, seated behind his desk in an office just a stone's throw from the Milan bourse, is Mr Ettore Fumagalli, chairman of the executive committee of the Italian Stock Exchange and president of the European Exchange Committee, the organ that brings together the stock market leaders of the 12 member nations of the European Community

Mr Fumagalli's words are unusual only because he is the man who is supposed to per-sonify the Italian stock market. Most honest people involved in the Milan market will say the same thing in private. But hav-ing decided to stand down as chairman when his term runs out this month, Mr Fumagalli appears also to have decided to speak his mind, this time in public.

The bourse has grown in recent years and seen much change

The idea of the head of a stock exchange issuing an indictment of the very exchange he heads is certainly unusual. In fairness, Mr Fumagalli points out that the Milan bourse has grown considerably in recent years, that the last decade has seen the introduction of consolidated balance sheets, greater financial disclosure, the arrival of new invest-ment banking players and the launch of unit trusts which have brought fresh liquidity and millions of new small investors to Milan.

To this must be added that foreign investors have been back in the market since the ing selective investments largely in the telecommunica-tions and insurance sectors.

Mr Fumagalli also notes that continuous trading is on the way, that new mixed firms con-sisting of both traditional brokers and banks are to be formed, and that Italy is Europe's fifth biggest market after the UK, West Germany, France and Switzerland. But is it really?

Milan's current total market capitalisation this autumn has stood st around L160,000bn (\$123bn). That in itself is only 18 or 17 per cent of the nation's GNP, while the capitalisation of the London Stock Exchange is equivalent to nearly 98 per cent of the British GNP, and Wall Street amounts to 55 per cent of tha US total GNP. By another measure, the Italian stockmarket's value is equivalent to only 12 per cent of the country's total financial assets. In macro-economic terms, Milan is tiny. And it is incestu ous. Without any laws against insider trading, and with half of all trading done on the tele-phone by a handful of hig cor-

Market capitalisation totals only about 16 or 17 per cent of GNP

porate and financial players, it is not so hard to see why Mr Fumagalli has launched his unprecedented J'accuse against

his own market. Perhaps the most striking thing about the bourse is that set against the enormous progress of Italian industry in recant years and the solid strength of the Italian econ-omy, Milan is such a provincial

and under-developed club.

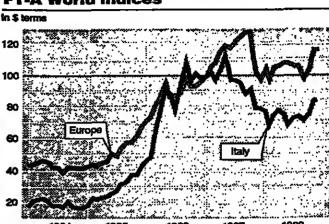
Among the 200 quoted companies the average proportion of company stock that is actually traded on the Milan bourse - the float - is 25 per cent of issued share capital. Thus the actual capitalisation of Milan could be considered as one quarter of its total L160,000bn

The market, meanwhile, sees active trading in only 40 or 50 shares, once again a quarter of the total. Some 40 quoted companies do not aven have as much as 25 per cent of their shares available on the market, the new legal minimum. But the stockmarket regulatory authorities say it would be "unrealistic" to suspend trading in so many shares just to conform to a legal nicety. Mr Fumagalli reckons the Milan bourse has had its image

damaged by operations such as last winter's Ferruzzi-Montedi-

son restructuring. The deal, by

FT-A World indices



Jointly compiled by The Financial Times Ltd, Goldman Sachs & Co., and County NatWest Wood Machanzie in occiunction with the institute of Actuaries and the Faculty of Actuaries which Mr Raul Gardini's Fer-

ruzzi gronp removed prize assets from Montedison as part of a debt reducing exercise, was sharply criticised for tram-pling over the rights of Montedison's 100,000 small shareholders. It has since "come right", thanks to a successful placing of newly quoted Fer- asset play that was designed

improving chemicals market and a steadier bourse.

"Now the operation seems fine, but last January Montedison shareholders lived a horrible and frightening experience," recalls Mr Fumagalli, commenting on the complex

by Mediobanca, the leading merchant bank.
"The shareholdors were the snareholders were practically told to jump out of the window. Information was minimal. The reaction was negative, because the market did not understand the operation and the Consob (stockmarket authority) did not intervene in a timely or orderly fashion, says the stock exchange leader. Mr Fumagalli bemoans the fact that Mediobanca "has no real competition" in putting together big share deals such as the Ferruzzi operation. During the boom years of 1984-1986 smaller investment banks. such as Euromobiliare and Sige, began to poach some of Mediobanca's new issues business. Now that there are fewer new share issues - the main source of business for Medlobanca's challengers - the estab-lishment bank is back in

charge again. "Maybe the Italian market is still too small and too weak to sustain big share deals that are not handled by the Grand Director," remarked Mr Fuma-galli, in a clear allusion to Mr Enrico Cuccia, the 80-yesr-old honorary chairman of Mediob-anca who still pulls many strings. At the end of the day, says the soon-to-be former stockmarket chief, "the Milan bourse is still a family affair".

Mediobanca, which has just had a huge chunk of its own shares placed in a partial pri-vatisation, cannot be quoted in reply to the stock exchange chairman's comments, because Mr Cuccia has not given a press interview since he founded the bank in 1946. A call to Mediobanca for this

article resulted in a scolding from the secretary of Mr Vincenzo Maranghi, the secretive disciple of Mr Cuccia who now manages the bank: "You should know by now that we don't speak to journalists,

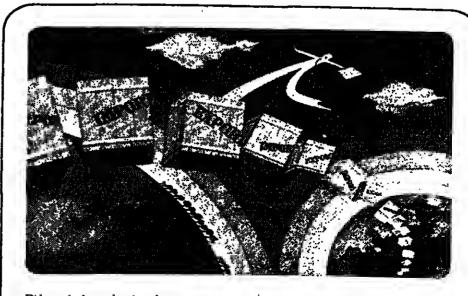
The outgoing chairman of the Milan bourse sighs at the end of his interview, and gazes out of his window, mumbling about "cultural obstacles to

Mr Ettore Fumagatli: 'it's still a family affair

Alan Friedman



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6 M

Should Italian industrial companies be permitted to take majority control of banks? Two guest writers offer conflicting views

Banks' capital needs will be huge if restructuring is to go ahead

Professor MARIO MONTI, a leading Italian economist and critic of the Bank of Italy, was asked to set out his views on the challenges facing Italian banking. In this article he provides an overview of the situation and calls for the relaxation of central bank restrictions on the acquisition of banks by industrial concerns.

ITALY'S BANKING system. though not inclined to radical changes, is indeed undergoing a rapid transformation of its

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Alan Friedman

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role in the economy.
From the early 1970s to the early 1980s, Italian banks funcearly 1960s, Iraian banks func-tioned as a mechanism aimed primarily at facilitating the supply of funds to the public sector. in: a financially repressed economy. This was accomplished through a num-ber of direct controls (restric-tions on entry into banking tions on entry into banking markets, portfolio constraints, ceilings on bank loans, highly panalising reserve require-ments) coupled with restrictions on capital outflows.

The results were the chan-nelling of funds to the public sector at below-market conditions, the absence of pressure on the government to bring the budget deficit under control, an uncompetitive banking environment, high costs of bank intermediation and often poor services, plus a limit on the ability of bankers to manage independently, with all of this sweetened by a comforting protection extended by the central bank.

Only a few years later, the banking system is trying to contribute to a market-oriented mechanism of capital accumulation, in a financially open economy. The turnaround – from direct to indirect controls, and from capital restrictions to foreign exchange liberalisation - results from new thinking on the part of the monetary authorities, an intensive public debate and the forces of inter-

nationalisation. The main steps, from 1981-83 on, have been the "divorce" between the Bank of Italy and the Treasury, the elimination of portfolio constraints and of ceilings on bank loans; the easing of restrictions on entry and of some legal and geographical barriers impeding bank competition, plus the phasing out of restrictions on capital flows.

This process has been creating a much more competitive banking environment. It is preparing Italy's financial system for the further steps of EC integration, and it has even had some success in putting pressure on government and parliament to contain the deficit. The deficit, in fact, net of interest payments has since 1983 declined as a proportion of the nation's GDP.

Yet important challenges are now facing the Italian banking system, as is made clear by the various articles in this survey. The time horizon over which they will have to be taken up is not the "mythical" 1992. It is the less impressive, but nearer, date of mid-1990, when, under recent EEC decisions, the liberretain ESC decisions, the iner-alisation of capital movements is to be applied also to securi-ties of maturities below six months, and to bank deposits. True, bank deposits do have a considerable relationship

with transactions and other Important challenges face the Italian

banking system

between now and 1990

services, so that the Italian depositor may not be attracted by the prospect of holding his cheque account or savings deposit with banks in another untry. But this is more true of individual customers than of corporate clients, which are more mobile.

For this reason, it is to be expected that increased competition by foreign banks - and not only through their branches in Italy - will develop from 1990. This shortens the horizon over which international comparisons of banking efficiency will be rele-vant, and is full of practical Such comparisons will call



into question both the cost and quality position of Italian banks relative to foreign com-petitors, and the role that the regulatory system, as well the tax regime, have in determin-

ing events.
The 30 per cent withholding tax on interest from bank deposits, along with a burden from required reserves which rank high in international comparisons, are among the most obvious aspects that will need reconsidering (and the Bank of Italy has started reviewing reserve require-

Challenges in the marketplace will not be decided by 1990, or even 1992. Though the increase in competition will be immediate, the process deter-mining which institutions survive and with what kind of geographical scope, will be a longer one, and will involve a rethink also of the institutional framework under which both banks and the authorities operate in Italy.
As far as banks are con-

cerned, one of the issues presently under discussion is whether non-financial interests, and industrial firms in particular, should be allowed to make significant investments in banks' equity, perhaps as far as even acquiring control, or whether the principle of separation between banking and industry should be strictly adhered to.

My own view is that Italian banks are going to have huge capital requirements for their expansion, and that additional capital will be needed if the announced privatisations of some public-sector banks are to be carried out.

Given the present state of capital markets in Italy, it is rather unlikely that the required infusion of capital will come without a substan-tial contribution by either for-eign financial institutions or the Italian industrial sector. While some of the former is highly welcome, and has occurring, it seems appropriate also to have some infusion of industrial capital, in a phase when Italian industry may also help improve managerial efficiency in banking, since industry has already gone through the expe-rience of restructuring and internationalisation.

The powers of the monetary authorities also need to be reconsidered

The question remains whether such infusion of capi-tal and a more managerial approach is likely to occur if new investments are confined to a very limited share of a hank's equity. At any rate, very strict regulations should apply as concerns both the identification of bank shareholders and the bank's lending policies towards them. A solu-tion along these lines would also seem consistent with the proposed second directive of the EC.

The powers of the monetary authorities need reconsidering as well. In my view, the Trea-sury and the Bank of Italy should be stripped of the virtually unlimited and discretionary powers that - under the principles of dirigisms of the Banking Act of 1936, which reflects the Pascist era - allow them to impose callings and constraints of all sorts without naed of parliamentary

At the same time, the Bank of Italy should be given all the powers needed to conduct monetary policy effectively through market-oriented indirect controls. The Bank should have the power to set the discount rate, which it presently can only propose to the treasury minister. The arrangements between Treasury and Bank should be further modified, so as to increase the Bank's autonomy in creating the monetary base. In the same spirit, the Bank should be prevented from purchasing government securities in the primary mar-

With unusual promptness and consensus, political parties in both government and opposition have closed ranks to endorse the Bank of Italy's position in favour of a separation between banking and industry, perhaps with an eye on keeping their grip on bank appointments and policies.

It will now be interesting to whether the same parties are equally prepared to grant the Bank all the powers it should have to manage mone-tary policy effectively. This would be the decisive step in completing the evolution of the Bank of Italy from the State's banker – and hidden tax col-lector – to a central bank that is fully equipped, and accountable, for monetary policy.

the Centre for Monetary and Financial Economics at Boccont University, deputy chairman of Banca Commerciale Italiana, and a member of the board of directors and executive committee of the Fiat group.

Separation prevents conflicts of interest

In this article, specially prepared for the Financial Times by the Bank of Italy and based on excerpts from his recent statements, Governor CARLO AZEGLIO CIÁMPI explains why he is strongly opposed to industrial companies' taking control of Italian banks

THE AUTONOMY of banks is an indispensable prerequisite for allocating resources in an economy that wishes to maintain the desirable division

between decisions regarding investment and saving. Banks' contribution to the sessment of the various ways in which resources can be used would lose most of its value if they were influenced by preceived attitudes of internal or external origin.

Banks' autonomy is multifaceted. Vis-à-vis the political sphere, it mainly concerns the public-sector banks, with spe-cial reference to appointment of their governing organs. Pro-tection of this autonomy relies in part on technical defences, but basically on the awareness of those entrusted with making these appointments that their choices affect the general inter-

In this spirit, Italy's credit authorities have reaffirmed the principle that the publicly-con-trolled banks are entrepreneur-ial businesses subject to com-petition, and have actively encouraged measures to permit contributions of capital by the private sector. The Bank of Italy has proposed a reform of the public banks based on the model of the joint-stock company, whereby the government body would hive off the benk-ing husiness and contribute it

to a limited company. There are other, closely related, aspects of the concept of banking autonomy, such as the independence of bank managements from shareholders (however large a bank's equity capital may be, it is never more than a fraction of its deposits) and customers.

The participation of financial companies in the equity capital of banks has never posed a problem. Indeed, the policy that the Bank of Italy has been pursuing for years is aimed at enhancing the capital strength and entrepreneurial spirit of



the credit system through the entry of private capital.

The central issue concerns ownership of bank capital by non-financial companies, which now have more funds available as a result of the capital strength of Italian companies and growing international integration.

Ownership structure is regulated by special legislation in a number of countries

The Bank of Italy has repeat edly expressed the view that non-financial companies should be permitted to hold such investments, but that they should not occupy a domi-nant position in institutions that take deposits from the public and grant credit.

Compliance with the princi-

ple of separation in no way precludes the holding of minority interests. In addition to contributing to banks' capital bases, they can also act as a vehicle for the potentially valuable contribution of experience thet non-financial entrepreneurs can make to the banking

community.

The principle of separation hetween banking and commerce is designed to prevent conflicts of interest and distor-tions in the management of hanks, but it is also intended to avoid undue extension of the powers and sphere of action of the central bank. Market difficulties, or

rumours of the insolvency of a mixed industrial and banking group, would make the group's banking components illiquid. In turn, this illiquidity would affect the industrial components with cumulative feed back effects that could result in the contagion spreading out-side the group. If the central bank intervened, as lender of last resort, it would indirectly support the non-banking parts of the group as well. Institu-tional confusion would be compounded by the consequent undermining of the central bank's credibility, and hence effectiveness, in the perfor-mance of its functions of stabi-lising the economy.

The ownership structure of banks is regulated by special legislation in a number of countries. In Italy, the first need is to close the loophole in our regulations that permits residents and non-residents to acquire a controlling interest in a bank with no formalities whatever. There is not even a requirement to notify the credit authorities either prior

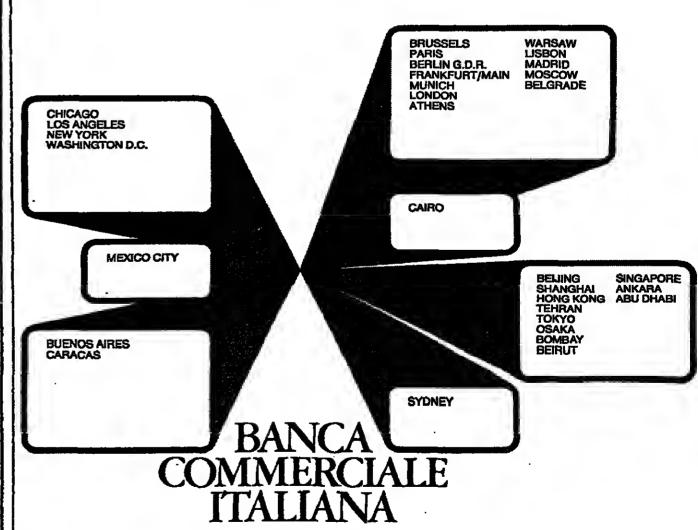
to or after the event. The importance of a clear definition of every aspect of this issue for the strengthening of the credit system and the safeguarding of its autonomy calls for parliament to move swiftly to pass a law establish-ing criteria, limits and procedures for the acquisition of sig-nificant shareholdings in credit institutions. One possibility would be to introduce the principle of segmented ownership, whereby non-financial compa-nies would not be allowed to own, directly and indirectly, more than a certain percentage of a bank's capital.

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The Consob: Alan Friedman assesses the role of the securities regulatory body

Legislative backing might add teeth

Securities and Exchange Com-mission in the United States," saye Mr Franco Piga, chairman of the Consob, Italy's stockmarket and securities industry

regulatory authority.
The Italian stock market anthority is not, however, the SEC, and Mr Piga — a 61-year-old lawyer who has spent most of his life as a behind-thescenes Rome civil servant and political operator in various ministries, and even took time out from the Consob last year to get elected as a Christian Democrat politician – is not a man who relishes the idea of direct confrontation with the market or with its leading pro-

His stewardship is thus that of a consensus politician rather than a hard-nosed regulator, and for this reason he has been much criticised hy market reformers and much appreciated by the Old Guard leaders of Italian capitalism.

"I am a very measured person, a gradualist," explains the man who is meant to regulate Italian securities. In fairness to Mr Piga, it must be said that he lacks most of the arms at the disposal of an SEC chief.

The Consob was only founded in 1974, and 14 years hence it is still without the legislative backing that might enable it to play a more concrete role in protecting the interests of the 4m small investors on the Milan bourse. Italy still has no anti-trust law, no monopolies and mergers commission, no rules on company takeovers, no laws to restrict insider trading and no law that would even require companies to put out full results including net profit figures on a half-yearly basis.

What Mr Piga has done is to labour silently and ardnously to try and create a general structure of regulation for the market. His new guidelines for the Milan bourse are expected to be announced before Christ-

The Italian stock market has grown considerably in recent years, but it is still a den of share price rigging and insider trading and, as Mr Piga points out, half of all share transactions still occur away from the official Milan bourse. Nonetheless, Mr Piga himself cannot be moved to express strong opinions about the major issues on the table. For example, he says against insider trading, but he



Mr Franco Piga; 'we need a Consob that is more active in protecting the interests of the market'

becomes uneasy when asked whether there should be penal nctions for serious offenders. "In Italy the question of prison sentences is for judges and not for me to speak of," he

On the issue of takeover rules, a highly controversial matter in Italian finance, Mr Piga maintains that he is "not in favour of a forced takeover bid for a company just because a certain equity stake has been acquired". The chairman of the stock exchange anthority appears to be closer here to the views espoused by traditional Italian industrialists and bankers, who reject the idea of hostile takeover bids.

Those arguing in favour of a law which, as in the UK, would require public offers after a certain stage, cite the example of Mr Silvio Berlusconi's recent acquisition from Mr Raul Gardini's Ferruzzi group of 70 per cent of the stock of the publicly-quoted Standa retail chain.

In this deal Mr Berlusoni paid nearly double the quoted market share price for Standa, while thousands of small investors were left holding just under 30 per cent of the com-pany's shares at a price well below the one paid in the take-

Had there been a takeover law in Italy, say the critics in Milan, the small investors would have been treated fairly. But Mr Lucio Rondelli, manag-

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ing director of Credito Italiano. says he opposes a law requir-ing public takeover offers because "it would place companies in our country too much at risk". Critics respond that most Italian companies are already locked up in juridical and financial strong boxes that protect leading families and not the small investor, so there

is no need to fear the spectre of open public bids. Mr Piga is undoubtedly a bard-working man and his overall message is that Italian finance needs to move forward step by step rather than with a traumatic series of new regula-tions. He himself has been crit-icised in private by several bankers and brokers for having left the Consob in 1987, to serve first as industry minister in the interim government

headed by Prime Minister Amintore Fanfani, and then to become elected a Christian Democrat Senator in the 1987 election. He stood down as Senator after only one month, according to political commen-tators because he was not given a ministry in the new government of Prime Minister Ciriaco De Mita.

Mr Piga returned to Consob in August 1987, but critics said his electoral campaign bad received help from some of the big companies he is meant to regulate. He flatly denies recsiving financial contributions in the election, but when asked whether he was given the use of free private jets for the campaign by some of Italy's biggest companies Mr Piga says; "I don't want to respond to that question." Mr Ettore Pumagalli, president of the executive committee of the Milan bourse, com-ments on Mr Piga's handling of Consob by saying. "We need a Consob that is more artive in protecting the interests of the market."

The Consob chairman him-self is optimistic that over time it will be possible better to regulate the Italian stock market and he stresses that, given the relative youth of the Consob, it has already taken "glant steps" toward better protecting the interests of investors. As with other issues of public regulation in Italy, Franco Piga says that to improve the state of affairs at Consob the most important ingredient will be

UNIT TRUSTS

Horizons widen

THE RISE and rise of the Italian mutual fund business in 1965 and 1966 — and its derivative effect on the stock market Itself — has been well documented. However, as with the industry worldwide, trends over the past 12 mouths have been less happy.

At the end of 1964, the assets of the Italian mutual funds totalled just LL162bn. By the

end of 1985, the figure had risen to L19,782bn. A year later it bad reached L65,077bn (ahout £28hn). This compares with the £42hn which the 50year old unit trust sector in Britain currently manages, In short, the Italian mutual fund groups established an industry of almost three-quarters the size in a fraction of the time. Since then, the pattern has been one of modest decline. The value of the funds assets

dropped to L59,49bn by end-1987, and the current 1988 figiser, and the current 1888 incure is put at about L52,425hm. Since mid-1867, according to figures from the state-owned IMI group, there has been a steady net outflow of funds, though the rate of net redemptions slackened noticeably during the summer

This, it should be noted, has not prevented a growth in both the number of funds them-selves and the number of new entries into the industry. The number of funds under management expanded from 42 in 1985 to 60 in the following year, and 72 by the end of 1987. In the current year, the figure is up to well over 100.

Equally, the number of mutual fund companies increased from just 25 in 1985 to 38 by end 1987. In the current year, another nine players Virtually all these funds

have arrived. have been invested in domestic Aign Friedman securities to date. The freedom to set up internationally-ori-

tial, on life products; and is currently talking to a British building society about mort-

gage possibilities. The inholding idea, of

course, is not entirely new -the likes of SIGE, part of the state-owned IMI organisation,

or Berlusconi's Fininvest

already have national cover-age, Nor have some of the pri-vately-owned banks been

ented mutual funds has only become effective in the current year, and as one mutual fund operator notes delicately. processing of new funds takes a bit of time". The launch of new funds, which are oriented towards non-Italian equities. has occurred with great fanfare in recent weeks; the two most prominent are maneged by Nuovo Banco Amhrosiano and by the Istituto San Paolo di

Domestic funds concentrating predominantly on the equity market, however, are in the minority; of the 109 funds available, 45 are bond (income) funds, and another 44 are "balanced funda". Only 20 can be classed as equity funds, Neverthelass, it is equity

funds which throw up the stars in performance terms this year, with the the best per-forming fund managing a rise of 17.9 per cent between January and September. It has not always been that way round; over three years, IMI calculates that the equity funds have, on average, have managed a gain of about 45 per cent, just beat-ing the BCl market index, while the income funds have underperformed with a rise of about 35 per cent.

On a two year or one-year view - obviously encompass-ing the end of the bull market - income funds have tended to perform better. Over the three months to end August there was little comfort all round; all three categories significantly under performed the Italian stock market.

It is worth noting that the charging and pricing of funds is alightly different from that in the UK. Most Italian mutual funds have a front-end load, which ranges up to ebout 6 per cent (in general, somewhat higher on the equity funds) plus a much smaller annual

load is paid when the funds are purchased, but there is then no bid-to-offer spread.

A few funds have moved away from the front-end charging system, bowever, opting instead for e higher management fee, part of which is performance-related in this case the annual management fee might be set at around 2 per cent and the performance fee take the overall charge up to

2.5 per cent plus. The mutual fund industry is fortunate to be undergoing its not unexpected period of con-solidation when competition from other savings - saide from the formidable return on government bonds thems - is only embryonic. Closed-end funds simply do not exist and the life insurance savings market is under development Private discretionary man-

agement is a more forceful threat, but tends te attract higher net worth individuals, The one area which is open ing up is the international dimension. The freedom to operate overseas-invested mutual funds has only become a practical reality in 1968, and, in the view of some observers, the flow of such funds to the market has been carefully regulated to prevent any sudden rusb of external investment. Nevertheless, it does seem that

there are an increasing num-

ber in the pipeline. And the pressures for further change are considerable. In a year's time, the European Community's directive on col-lective investments in transferable securities becomes effective, requiring countries to have legislation in place which enables collective investment schemes to compete freely throughout the community.

FINANCIAL SERVICES

Scope for innovation grows

FINANCIAL services, like so much of the Italian financial scene, are in a state of flux. Old-established savings methods are being challenged by the need — and, from cartain quarters, domestic desire

to introduce fresh options.
This follows increased wealth. some regulatory freedoms, and a growing awareness of what international counterparts can

A couple of points are worth noting at the outset. For all its recent advances, the Italian economy remains remains heavily cash-oriented. It is recknowd that the amount of cash in circulation is roughly half that of the US, and several times as high as in other simi-

lar-sized western countries.
On the one hand, this appears to offer great potential.
On the other, given the taxevasive elements, it can be argued that the cash economy argued that the cash economy will remain a considerable hindrance to the expansion of the financial services industry, where registration of an individual's income and wealth is a necessary corollary.

The second point is both encouraging and disheartening. On the plus side, Italy does have a remarkably high

have a remarkably high savings ratio, put at over 20 per cent of disposable income. Go back a few decades, and such monies usually found their way into interest-earning current accounts in the country'e vast array of banks. Unfortunately, more recently the trend has been toward gov-

ernment bonds, again usually purchased through the banks. The problem is that income from these enjoys fairly favourable tax treatment; and, given the need to finance the chunky Italian State deficit, the yield available is generous,



Inholding's Giovanni Franct alming for 750 intermediaries

At present, the net return of around 12 per cent is attainable, which alongside a 5 per cent inflation rate is a formidable marker for other savings mechanisms to beat. Nor, it should be added, do any of the other savings options - life insurance, personal pensions, mortgages — benefit from sub-stantial compensating tax

breaks. That said, there is clearly That said, there is clearly some scope for product innova-tion — witness, the heady reception enjoyed by unit trusts in 1985 and 1986, Italy, for example, ranked 14th among 17 European countries in terms of the annual spend per head on life innual spend per head on life in terms of the annual spend per head on life in terms of the annual spend per head on life in the figure was put at a 1986. The figure was put at a mere \$46.2, compared with Britain's \$479.3, and Switzerland's heady \$938. Only Spain, Portugal and Greece ranked

The relatively low figure is explained by the strong family tradition, a high level of premiums, and by the fact that Italy's wealth only arrived recently.

"We were a poor country," comments Mr Antonio Corti, at Latina Assicuranzioni, one of Italy's larger insurance groups. "People had more immediate needs."

That said, life business has That said, life business has been something of a growth area recently — although it is still estimated that only 15 per cent of the population hold any form of life policy. The trend has been very much towards "with profits" savings policies, rather than straight term insurance — a reflection, suggests Mr Corti, of the sorry state of the social security system and a genuine desire by tem and a genuine desire by individuals to see some of their increased wealth provide for retirement. The growth in straight life cover, he predicts, will be considerably slower.

The mortgage market is another potential candidate for change. At present, most are provided by the banks. Conventionally, these account for up to only half the cost of the property, and are repeyeble over a relatively short-term say, 10 to 15 years. This, in turn, has provoked the devel-opment of a much more expensive secondary mortgage marpassed by entirely: 12 of the medium-sized northern co-op-erative banks got together in the mid-1980s to form Arca, a mutual fund operation whose products are sold soley through the banks' network. (Again, there has been a subsequent insurance link-up).

Such possibilities mean that as much attention is being paid

to distribution networks as to products themselves. The lat-

ter, after all, can always be

bought in from existing experi-enced players, reluctant to tackle the Italian market on

tackie the Italian market on their own. It is also worth not-ing that the concept of the independent broker has little meaning in Italy: individuals may take advice from a fee-based "commercialiata", but will still traditionally do what-

ever transaction is involved

Inholding, the new private-ly-owned financial services

group being set up by the Benetton family, is a good example of this distributive thrust. The company was started five years ago, born of some industrial service (factor-

ing and leasing) interests which principally served the industrial arm of the Benetton

In 1986, some former Citicorn

employees came into the organisation to form Incapital, which specialises in bond trad-

ing and swops. But it was less

than two years ago that the key Incapital Investments oper-

ation was set up — an ambi-tious attempt to create a netional sales network throughout Italy.

At present, according to to Inholding's managing director, Mr Glovanni Franzi, 120 offices have been established, encompassing 450 intermediaries. The aim is to increase the latter

figure to around 750 by 1989. With chades of the Benetton

retail concept in the heck-ground, the idea is that area managers should provide their

own office accommodation and be rewarded on a commission basis. They will, however, be provided with an exclusive range of financial products to

Inholding has linked up with Euromobiliere, the Milan investment banking operation, on the domestic mutual fund

front: plans to launch two

international mutual funds, one of which enjoys invest-

ment advice from UK investment bank County NatWest; has formed a 50-50 joint venture company with British

insurance group, the Pruden-

through a bank

And if competition for, and rationalisation of, the banking network has been slow in com-ing, at least on one score the financial services game in Italy is particularly user friendly. Such is the diversity of banks, that a universal plastic card has been designed, under the name of "Bancomat, it will liberate cash from any wall. For that relief, much thanks.

Nikki Talt

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Merchant banking is on the threshold of change

Anglo-Saxon attitudes may be overtaken by the crash

"MERCHANT BANKING in Italy," suggests Mr Edi Cetin, director of SIGE, the investment banking arm of the state owned IMI group, "Is on the brink. It is undecided between the Anglo-Saxon model and the Japanese or German model."

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Mr Cetin seems to think that the latter route will be taken. Others are less convinced. What few question is that this issue lies at the heart of the merchant banking communi-

ty's development. What Mr Cetin means by the Japanese/German model is a system by which merchant banks play a key role in providing medium to long-term development capital, take minority stakes in unlisted companies and experally forminority stakes in unlisted companies, and generally foster the inture industrial base of the country. The Anglo-Saxon model, applicable in both the UK and the US, points to the more pugnacious and glamorous world of takeover advice, of generating and tying up strategic (largely equity-based) deals and of assisting companies to take full advantage of the capital markets.

nles to take full advantage of the capital markets.

By tradition, the limited merchant banking activity which exists in Italy has tended to be in the former mould. Astride it all, and defy-ing categorisation, is Mediob-anca. The publicity shy Milan-based organisation started out 42 years are as a state-con-42 years ago as a state-con-trolled medium-term credit agency but has, over the past few decades, become deal-maker, adviser and co-shareholder to the most powerful elements on the Italian indus-

trial scene - notably Flat.
Mediobanca aside, however,
the growth of "Anglo-Saxon" merchant banking occurred only in the mid-1960s. Explanaonly in the mol-1908. Explana-tions for the sea change in atti-tudes are various. One key fac-tor often suggested is the fate of Italian industry at the turn of the decade, when highly depressed conditions brought home the full force of its tradi-tional banking ties. Some industrialists saw the banks call in loans; others survived, but the extent of their departence was evident. With this painful, even humiliating experience in mind, the option of equity-style financings must have had considerable subse-



A second reason for looking to the aquity market may have been more technical. As companies recovered, cash flows started to grow significantly,

started to grow significantly, and some companies appeared undercapitalized. A third factor was probably the buoyant market levels themselves.

Whatever the reason, the outcome was a fairly phenomenal lump in the importance of the equity market in 1985-86 and, with it, a commensurate increase in Angle-Sayon style. increase in Angio-Saxon style

the larger merchant banking groups aside from Mediobanca, expresses it slightly differently. "The powerful industrial groups have not always been very keen on seeing the capital market's growth," he says. Certainly, the combination

of factors appears to have had a noticeable effect. The number of new issues was down to 33 in 1987, and the sum raised, a censiderably reduced L5,25.5bm. Moreover, many of the owners of Italy's largest

What the 1980s did help to foster was a raft of smaller 'merchant banking' operations, more in the development çapital mould

merchant banking activity. Proof of this development is readily available in figures issued by the Milan Stock Exchange. Capital issues rose to a heady 99 in 1986, raising a total of L14.488m. The number of shares listed jumped from 235 to over 300.

But the momentum did not last. Last year's worldwide fall in stock markets could only discourage equity-funding. Yet the story, perhaps, does not end there, Mr Cetin, for example, argues that the situation was more one of "chicken and egg," The larger industrial groups, he points out, had already lost interest in the stock market's development. 235 to over 200. stock market's development and that attitude compounded the market's decline. Mr Guido Roberto Vitale,

companies - Agnelli at Fiat, for example, de Benedetti at Olivetti or the Pirelli family – increased their own personal levels of control.

In mitigation, it might be

pointed that there have been three large stock market operations recently: Generali, Ferruzzi and the Mediobanca issue itself. However, the less optimistic observers view these as slightly exceptional operations - Mediobanea, for example, concludes a lengthy saga - tending to algnal the end of an era, rather than the start of a new trend.

What the 1980s did help to foster, however, was a raft of smaller "morehant banking" operations, more in the dev opment capital mould. This trend was helped significantly

when the Benk of Italy permit-ted commercial banks to take majority stakes in the mer-chant banks early in 1987. Today, the Associazione Ital-iana delle Finanziarie di Investimento (AIFI) numbers over two dozen members. By the end of 1987, it reckons that these organisations had investments totalling L449bn in over 200 situations.

Aside from the development capital role, there is also wide-spread belief that mergers and acquisitions will remain a busy area. Like many European countries, Italy has many small businesses founded in the post-war era, whose proprietors are new approaching retirement age. The merger or straight sale of such operations can sometimes be negotiated without intermediaries, but professional advice is also sought. And a slightly defensive attitude seems to have permeated ahead of 1992, with a general realisation that some of these firms could look vulnerable as markets open up.

Not all merchant banks are convinced that this will be the timit of their activities. Both the quoted Sopar group and Euromobiliare – twe of the more significant new players on the Milan scene – talk of new issues in the pipeline, while Mr Vitale expresses a strong hope that the equity-based route will be taken. There is also the growing inter-national dimension: Euromobiliare, for example, says that cross-border work accounts for a hefty 70 per cent of its M&A

Both companies have, or are in the process of cementing overseas, Anglo-Saxon links. This autumn, the American investment bank, Kidder Peabody, took an initial 5 per cent interest in Sopaf, while Euro-mobiliare is currently negotiating with Midland Bank in the

In short, if the merchant banking community is on the brink, it does not seem to have entirely sealed its fate yet. And, given the negr-monopoly position enjoyed by Mediobanca, the rise of new institu-tions will not be easy.

Nikki Tait

PROFILE: FRANCESCO MICHELI

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Milan's maverick decries the 'medieval structure'



CREDIT LOSS RESERVE

Italy's most dynamic new breed of financiers, admits that he has enemies.

It would be hard for him to do otherwise, given the fact that the 51-year-old managing director of Svilnppo, a new securities house and invest-ment banking group, has been vilified on several occasions by members of the Old Guard of the Italian business establish-

Mr Micheli's "crime" has been to help pioneer the use of stock-market raids, hostile takeover bids and other Wall Street-style techniques on the

Milan bourse. He is best known in Italy as the man who, in 1985, engi-neered the hostile takeover by

owned by Finarte, the publicly quoted company which is part art auction house and part financial business. Finante has been Mr Micheli's traditional vehicle for deal-making, but now he bas shifted all financial operations to Sviluppo.

In recent months Mr Micheli has been in the Italian headlines because he bought a 10 per cent stake of Euromobiliare, the investment bank that was the first to try to compete with Mediobanca, the powerful institution which still domi-

nates Italian high finance. But Mr Micheli's idea of merging his interests with Euromobiliare ran into opposition, according to some because of this maverick's

His role as a freelance financier is being emulated by other operators, who are also teaming up with foreign institutions

the Montedison group of the Benomi family's BI-Invest financial empire - a corporate battle that brought the wrath of traditional Italian industrialists and bankers down upon Mr Micheli and upon Mr Mario Schimberni, the Montadison chairman who was eventually to be ousted from his job.

It is now three years since the BI-Invest takeever. Mr Micheli is enormously wealthy as a result, but despised by leaders of the Salotto Buono, or Good Drawing Room of Italian capitalism, Last year he launched his

new investment banking com-pany with Britain's Morgan Grenfell and Lloyd Adriatico, the insurer controlled by Swiss

Re, as minority partners.

The share capital of Sviluppo is L30bn. The staff of 58 financial men and women includes executives poached from SIGE, the investment banking arm of the IMI; and already in its first year (1987) Sviluppo produced a Lébn profit. Sviluppo's business includes bond underwriting, Treasury

operations for corporate cli-ents, stockbroking, fund man-agement, unit trusts, insurance and other financial services. The company has L400bn of funds under management.

rather brusque style of doing business, At the time of writing, Britain's Midland Bank was in negotiatiens to take effective control of Euromobi

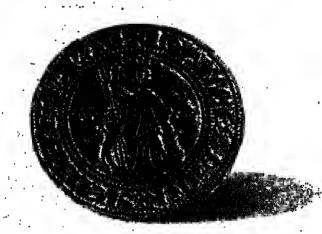
Mr Micheli himself is one of the new generation of Italian financiers who decries the medieval structure" of Milan's clubby group of big company players. The old system which concentrates corporate finance into the bands of a very few bankers and industrialists is threatening te stifle Italy's chances to be more competitive in the 1990s, he maintains. He should know, because he has werked fer 30 years in the Milan financial werld, first in the stock market, then for IMI, and later at Montedison in the

Today Francesco Micheli is an ontsider who nonetheless s a certain clout. His role as a freelance financier is being emulated by ether independent operators who are also teaming up with foreign institutions. The problem for operators such as Mr Micheli is that most hig Italian companies are familycontrolled, and very nearly bid-proof. Outsiders are therefore still very much outside.

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Alan Friedman

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Foreign banks: visiting teams often need to acquire local players

Costs weigh heavily on Barclays

MUCH IS made by Italian for these domestic networks. bankers about the threat of Midland Bank is negotiating competition from foreign nks in the 1990s. The experience of the 35 foreign banks operating inside Italy at pres-ent is, however, not a very

attractive tale.
The lack of Italian branch networks means that, without a deposit base for funding, most foreign banks rely on the lira interbank market. In addition, the importance of long term relationships with industrial companies means that few foreign banks are able to compete effectively with the large Italian banks. The loan books of several foreign banks in Milan are thus heavily slanted toward "easier" lending to state-guaranteed agen-

Among the more successful foreign banks is Dentsche Bank, which owns tha 100-branch Banca d'America e d'Italia, and Citibank, which controls the 43-branch Banca Centro Sud. Both Deutsche and Citibank paid premium prices

liare, a Milan investment bank with a strength in the medium-sized mergers and acquisi-tions field. Morgan Guaranty is universally acknowledged to be the best run and most profitable foreign bank in Milan, thanks to extensive forex transactions booked in Italy and to a tradition of conserva tive lending to big Italian cor-

Hambros Bank has been teaming up with Turm's San Paolo group in a number of niche sectors, such as unit trusts and fund management. And Chase Manhattan is piloting a successful drive to develop business with high net worth individuals and other forms of private banking. Meanwhile, Barclays Bank,

porate names.

of the UK, continues to be tha most troubled foreign operation on the Italian banking scene. Two Barclays executives
- Richard Adams and David Weymouth - have been trying to steer the Milan-based bank and para-banking group out of losses, but they have had to contend with a legacy of chaotic over-expansion, enormous fixed overheads, overstaffing, leasing and factoring losses, including soma caused by fraud, the restructuring of a loan book that three years ago was riddled with non-perform-ing assets, and a policy from ad office in London that has so far seen capital injections designed mainly to cover

cumulative losses

Barclays Bank in Milan has racked up hefty losses since 1985, when alarm bells first began to ring. According to Barclays, the total losses on the banking side, including an expected 1988 deficit of L15bn to L20bn, amount to more than L120bn for the 1985-1988 period. Total losses on the l factoring and para banking side are near to L100bn for the same period. In sterling terms this means that, since 1985, Barclays' Italian operation has

lost more than £90m. Italy is

thus a not inconsiderable drain on the Barclays group balance sheet. What is more, the Bar-clays men in Milan admit that break-even may not be attainable before 1990. Mnch has been done to

restructure the Barclays group in Italy (consisting of both the hank and para-banking activi-ties), including a pull-out from retail banking, the sale of branches, the sale of some leasing businesses, the slashing of staff from 960 people in 1986 to 360 at present, and the attempt to make straight corporate lending the group's main voca-tion. But the local cost structure is still very weighty.

Mr Adams has succeeded in bringing fixed costs down from L100bn in 1985 to less than half that at present; but the bank still has 160 people on its payroll, against an average of less than half as many at most other foreign banks in Italy. One Barclays executive in Milan, who asked not to be named, said that "the problem here is that we have a profitsurrounded by useless pieces high overheads"

Mr Adams stresses that the process of restructuring must occur in a gradual manner, without personal trauma for departing executives and lower level staff. He also speaks of the new business strategy of concentrating on corporate lending, commercial paper, money market operation foreign exchange and money market dealing.

The problem, according to colleagues of Mr Adams who prefer to remain anonymous, is that to make a go of the new business strategy, a recapitalis-ation of the Milan operation may be needed. This idea is believed to be under discussion at present between executives of Barclays head office in London and its local Italian repre sentatives. The road to full recovery, meanwhile, looks like a lengthy one.

into floating rate funds at

Alan Friedman

VENTURE CAPITAL

'Find five friends

VENTURE CAPITAL in Italy begins as a matter of defini-

On the one hand, any formalised financial industry supply-ing early-stage capital is embryonic, indeed, virtually non-existent. On the other, company start-ups are a significant tradition. There are, after all, about 750,000 new firms formed a year in Italy, or a net figure of about 250,000.

What explains this contradiction is a long-established and fairly prominent "informal" venture capital market. As Mr Paulo Colonna, one the two Milan-based consultants on the £40mSchroders Italian venture capital fund, puts it: "It's a rich country. If you want to set up in business, you find five friends. One is a lawyer, one is

Against this background. perhaps it is not surprising that a formal venture capital industry has been slow to develop. Some figures from the European Vanture Capital Association state the postion

bluntly in 1986, new venture capital investments Europe were reckoned to total 1,923.3m Ecu, of which the the UK Ecu, of which the the UK accounted for just over 1,000m Ecu, followed by France, Belgium/Lnxembourg and the Netherlands with about 200m Ecu each, Italy came in fifth place, with just 68.1m Ecu. In 1987, there was little growth to be seen. While the UK leapt ahead to around 1.7bn Ecu (£1.14bn), and France doubled to 400m Ecu; Italy merely

bled to 400m Ecu, Italy merely nudged up to 75m Ecu. It should added that some of those active in the Italian ven-ture capital field reckon that the figures - undoubtedbly difficult to collect - under-estimate Italy's contribution. However, the size of the gap, relative to Italy's overall indus-

trial base, is undisputed. What lies behind the bald statistics is a fairly recent and rather tentative attempt to create a "seed-bed" venture capital industry in the mid-1980s - a fashion followed by a few owned investment institutions

That suggests Ms Anna Ger asone, at the Associazone Italiana delle Finanziarie di Investimento, has largely been abandoned, on the back of a not very happy investment record. The only remaining player of any significance is Finnova, a Milan based organi sation and part of Mr Jody Vender's Sopaf investment group. Even here, there are suggestions that early stage financing will play a somewhat

smaller role in the future. Instead, a raft of small-to-medium sized investment houses has grown up, variously owned by groups of local businessmen, other financial institutions or predominantly - fol-lowing the 1987 legislation under which the Bank of Italy permitted tha banks to take majority stakes "merchant banks" - by the banking com-munity itself. The thrust of virtually all their activity, how-ever, is towards "later stage" financing, in the form of expansion capital or the funding of management buy-outs and the like.

It is estimated that, of the total Italian venture capital investment made in 1987, about one-tenth went into seed projects, and only 6 per cent into start-ups. Expansion investment accounted for 54.5 per cent, bridging finance 13.5 per cent and MBOs 9 per cent. The last figure, suggests Ms Gervasone, should be somewhat

higher in the current year. The reason for this prefersimple; there is virtually no incentive to take on the added risk which seed/start-up investments imply. The venture capital industry enjoys no special tax breaks at present in Italy, is not a problem, and the financing institution

can be lumbered with capital

when it exits. In this case, the less risky backing of an existing businass obviously becomes a preferred course. A further consequence is

that investment funds have tended to flow into the more established industries. In 1987, it is estimated, consumor related industries took almost a quarter of the funds invested, and industrial products another 11 per cent. Invest-ments in higher technology

fields were negligible
The other problem which the
venture capital industry faces is the absence of any easy exit route. Unlika the Unlisted Securities Market, in the UK, or the Second Marché in France, Italy's second-tier equity meet is stagnant, and ost private investors have demonstrated a strong preference for the blue-chip stocks. Nor is there a tradition of entreprenents raising some personal profits through equity placings, while the underdevel-oped broking system makes support in the after-market

extremely difficult. Tha consultants on the Schroders fund - the first ven-ture capital fund to be set up in Italy, although its money comes entirely from non-domestic institutions - even go so far as to suggest that, while they would never invest without anticipating the exit route, they would also never consider flotation as a nrimary option.

This, in turn, creates other distortions. Mr Colonna, for example, says that the main emphasis of the fund's investments will be towards MBOs or management buy-ins. In the UK, this trend has flourished on the back of industry rationalisation, in Italy, it is seen rather more as a "family" issue - one means of handing on small individually-owned businesses, which were created in the fifties, either to management itself or to one particular

What Mr Colonna goes on to add is that the fund will always look for a majority stake. This is because it knows that, when it needs to exit, it will usually sell either to a larger company or to the man-agement itself. The majority position will allow it to demand a premium for control. This, however, is in some contrast to the broader MBO ethos, which suggests that it is the very fact that management controls its own destiny that will encourage initiative and

Mr Colonna counters that a cent of the equity is in a vastly improved postion, compared with one with no say at all; and that, in practical terms, the fact that holds a minority

Nikki Talt

EXTERNAL BORROWING

Bonds should offset loss of home finance

capital market in a post-1992 Europe holds special challenges. While it opens new vis-tas of investment opportuni-ties, it also will force cash-hungry Italian state entities increasingly to look abroad for borrowed funds.

Foreigners may well be even more attracted to Italy, whose aconomic performance is already better than some of its neighbours Already, rules restricting foreign investment and banking activities are being relaxed. But retaining its current pool of lenders may be a difficult task for Italy

Even more than the Japanese, whose reinctance to spend is legendary, the Italians are thrifty. Therefore, while Italy must still come to grips with its growing budget deficit, much of the shortfall until now has been financed at home.

The Italian budget deficit has been falling as a percent-age of GDP - down to 11.7 per cent in 1987 from 13.7 in 1985 while the savings ratios of its citizens have climbed steadily.

Paulo di Torino estimate that less than 3 per cent of the Government's total borrowings are raised outside Italy. In 1983, it was less than I per cent. Italy's external debt is in fact tiny compared with other European countries such as Denmark and Belgium, whose foreign borrowings constitute 37 and 20 per cent respectively of all

borrowings. Several recent legal changes have made it easier for Italians to invest abroad. Since May 1987, rules restricting ownership of foreign securities have been relaxed. In October 1988. restrictions were lifted on Italian residents' ownership of

medium and long-term bonds. Already, increased dependence on external borrowing is showing up in the statistics. According to data from Banco di Roma, public sector external borrowing in the first nine months of this year totalled 1.2,990bn, up from 1.1,437bn in

the same period of 1987. The borrowings tend to accelerate sharply in the last few months of the year. By tha Economists at Istituto San end of 1987, external borrowings had ballooned to L6,076bn, and the trend is expected to be repeated this year

To combat the increased attention for investors' loyalties, Italy has shown growing sophistication in its ability to take advantage of international bond and syndicated loan marbave plagued the Milan Stock Exchange. Also, investors in those

countries with double taxation treaties with Italy may recoup the 12.5 per cent withholding tax deducted on interest pay-ments, making their yields well above those on compara-

Several recent legal changes have made it easier for Italians to Invest abroad

funds.

Perhaps the country's most successful product with international investors has been its Ecu-denominated Treasury bonds, known as Ceretificati de Credito del Tesaro denominati

in Ecu (CTEs). In the first three-quarters of this year, the Italian Treasury has issued Ecu4.25bn in CTEs, about 80 per cent of which were sold abroad. For foreign investors, the securities offer the advantage of being traded on the Luxembourg Stock Exchange, thus avoiding the settlement difficulties which

Twice in 1988 Italy has tapped the Eurobond markets, each time raising \$1bn in a fixed-rate security that was later swapped into floating rate

The more recent \$1bn issue had a seven year maturity and a coupon of 91/4 per cent, priced to yield about 48 basis points over comparable maturity US Treasuries, the market benchmark. Proceeds were used to call an outstanding \$1bn floating rate note paying % below the mean of London interbank bid and offered rates, known as

the proceeds of its new bond four years.

about 25 basis points under Libor, achieving a considerable cost savings over the life of the But an earlier 31bn Eurobond sent ripples through the market amid charges that the lead manager, Credit Suisse First Boston, had botched the swap, costing Italy huge sums. While the swap was later put right - funds were said to have been swapped into floating rate Deutsche Marks and

then into floating rate dollars
- the adverse publicity embarrassed the country's Treasury. Meanwhile, the state-owned entities have learned to exploit the intense competition in the syndicated loan market. Even though several institutions' ties to the Italian Treasury are somewhat tenuous, virtually all the entities manage to borrow funds at rates offered to sovereigns. Some have become adept at outbidding even each

other for fine borrowing terms. In early November, Manufacturers Hanover led a \$150m five-year revolving credit facility for Societa per Azioni Finanziera Industria Manifatturiera (SAFIM), a subsidiary of Knie Partepazioni e Finanzia mento Industria Manifatturiera (EFIM) which surprised the markets with its tight 15 basis point margin in the first three years of the credit. In defend-ing the pricing, the arranger pointed out that there was a put option in the first year to

But the SAFIM deal was launched almost simultaneously with a \$100m seven-

year revolving credit for Agusta, the 98 per cent state-owned belicopter company, which carries a more generous 20 basis points margin. Ironically, Agusta is also a subsidjary of EFIM, suggesting that lenders should make no distinction between the pricing of loans to the two borrowers. Meanwhile, Italian banks

and state-owned entitles are looking forward to a relaxation of rules at home that will make borrowing easier. The narrow lending market in lire has forced banks in particular to borrow outside the country. Just a few months ago, the Government slashed a 2 per

cent tax on all borrowings of 18 months or more to 25 basis points, entting the cost of medium-term domestic borrow ings. And rules on residents holdings of foreign currency and foreign exchange transactions have been eased

But restrictions will have to be relaxed much more to discourage banks from seeking funds abroad. For instance, current rules require mediumterm borrowers to post seco rity or collateral, an expensive way to raise money.

Also, the lire market is thin, with no effective benchmark, such as a Libor lending rate, to serve as a guide.

PENSION FUNDING

Anxiety over state 'lottery'

PENSIONE and previdenza sociale (pension and social insurance) are loaded words certain to elicit lively reactions from both pensioners and the workers whose monthly contributions foot the social security bill. The link between beneficiary, state intermediary and payer is fragile, inefficient and emotive.

Pensioners criticise the shortcomings and administrative hiccups of the state pen-sion fund Istituto Nazionale della Previdenza Sociale (INPS). Workers see their gross salaries lightened by 7.15 per cent, to which the employer adds a further 22.92 per cent, and wonder if there will be value for money on retirement. Indeed, many workers often wonder if they will receive anything on retirement. For several years INPS's ability to survive has been widely ques-tioned. There are numerous alarmists and alarmed observ-

alarmists and alarmed observers who predict the collapse of a body which last year disbursed L87,352bm, equivalent to 9.9 per cent of GDP

Nearly L88,000bm was spent on pensions in 1987, the average pension being worth about L6.2m (£2,646). At the end of December Italy was supporting 13.8m pensioners, of which 9.6m had been wage or salary earners, rather than self-employed contributors to the INPS scheme. About one half receive more than the minireceive more than the mini-

mum which was L418,000 (£178) per month at the start of the current year However, the question-mark against INPS's viability, pro-voked particularly by massive deficits in annual accounts during the 1980s, is attributed as much to the diversion of pensions contributions to cover other areas of spending as to payments to old-age pension-ers. INPS's role as social shock absorber during the post-war period has been costly.

First, its resources were deployed in disability pensions, to assist the shift from agriculture to industry and to reduce the gap between the north and tha much poorer mezzogiorno.

More recently the Cassa Integrazione Gnadagni (CIG)

Pensionable age will probably rise gradually to 65 for both men and women. It is possible



There must be a better way

labour lay-off scheme has guaranteed wages during economic recessions. CIG reached a peak in 1984 with support for 816m hours, equivalent to about 470,000 workers. Pensions have been used as an electoral resource in Italy.

Moreover politics continues to be central to the debate about INPS and pensions in the future. Some of the disaster sirens are being sounded by pressure groups, seeking to promote alternative methods for pensions funding. But at a recent congress Giacinto Mili-tello, INPS' chairman, drew attention to demographic and economic forecasts which sug-gest that the situation is far from desperate. "We should ignore the self-interested alarmists and concentrate on the real problems of changing the system," he said.

Reform of the state pension scheme seems, however, to be an intractable problem. There are several disputed areas: pen-sionable age (at present 55 for women and 60 for men), minimum contributions (currently 15 years), pension calculation (currently 2 per cent of income for every year of contribution calculated on the average of the last five years income), and supplementary retirement pen-

that the minimum period of contributions will be lifted to 20 years with the pension calculation based on 1.5 per cent of income for every year of contribution, using the final 10 years' income. Clearly, Italians retiring after reform will be treated less well than those retiring today. Inevitably, reaching agreement on changes is difficult.

Politicians are finding progress equally hard to make on supplementary pensions, a matter close to the heart of the insurance companies. Deciding

insurance companies. Deciding how such pensions should be financed is a major knot which needs untying. The suggestion that employees' leaving indemnities should be ntilised is strongly contracted.

strongly contested.

It is unlikely that Italian business will be willing to follow banks' examples in financing house pension schemes. Indeed these are often cited as great attractions of bank employment which, with a few rare exceptions, industrial and commercial organisations do

commercial organisations do not match.

The schemes of the Banca Commarciala Italiana and Banco di Roma are typical. The Milanese bank bears the total cost (7.75 per cent of salary) of a scheme giving a pension with fixed and capital-linked elements. The average value of ments. The average value of pensions paid by Banca Com-merciale Italiana last year was

At Banco di Roma the employer adds 5.05 per cent of salary to the 2 per cent contrib-nted by the employee. The pen-sion amounts to 0.6 per cent of salary (with ceiling for calcula-tion of L45m) for each year of service. For the average employee at Banco di Roma the pension is similar to Banca Commerciale Italiana.

changes are mentioned or the viability of the state pension

Rino Formica. "The transformation of pensions into transmation of pensions into transfer payments has gone beyond the boundaries of class and generation solidarity, producing a net expansion of public expenditure," be said recently. "It is certain that public expenditure for pensions must be reduced," Mr Formica added, emphasising that reform can no longer be postponed.

Mr Militello, a Communist, claimed that that the most acute and worrying problem is

acute and worrying problem is not INPS's financial condition.

David Lane

Commerciale Italiana.

Notwithstanding the accusations of over-staffing which are levelled against the banking sector, Italy's banks employ only a small part of the country's total workforce, 0.3m from 20.8m. The vast majority of Italians depend wholly on INPS pensions when they retire. So tremors of preoccupation are understandable when changes are mentioned or the fund is questioned.

There is no reassurance from the Socialist labour minister,

not INPS's financial condition.

"This seems to be a long way
from the catastrophic scenes
arifully constructed by adversaries of the public system," he
said. Mr Militello rejects the
idea that the solution can be
found in a return to the individualistic ideologies of the
19th century.

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19th century.

The battle over pensions is heating up and the debate suggests that those who presently pay social security contributions are justified in being content about the present that cerned about the pensions they will receive on retirement. Some observers describe the system as a lottery. It seems certain that there will be los-

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CONCISE, IMPARTIAL, ACCURATE, STIMULATING

A DELUGE of demand flooded the Bank of Italy at the begin-ning of November when the conditions were announced for the issue of Buoni Poliennali del Tesoro (BTP) – medium-term Treasury bonds. Every-body wanted part of the action and this led to massive oversubscription. Market operators sought more than L130,000bn, fourteen times over-subscribing the L9,500bn of bonds on offer.

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Nikki Teli

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The demand was absurd," said a senior Treasury official. "If the minister had decided to enlarge the issue it would have brought Haly's financial market to a complete standstill. Operators would have been badly squeezed if the issue had been multiplied just three or four times. In order to pay, they would have been compelled either to turn to the cen-tral bank, which could have charged interest rates as it pleased, or to face exchange risks by borrowing abroad."

Anxiety to get a share of the issue, bearing what many analysts considered to be peak coupon, drove the securities managers in Italy's banks and other financial institutions to inflate their demands. The three-year BTP on offer were bearing 11.5 per cent, while the five-year bonds carried 12.5 per

Since the beginning of the year rates had been adging upwards. The average yield on BTP in January was 10.29 per cent. By September it had reached 10.88 per cent. "Italian government securities are offering the highest real returns in the world," remarked Giovanni Palladino, managing director of Studi Fin anziari, the research subsidiary of financial conglomerate Istituto Mobiliara Italiano (IMI). And even the senior Treasury official described real interest rates in Italy as abnor-

mally high.

This situation arises from a combination of factors, above all the need to finance an enormous public sector deficit. Total public debt at the end of September amounted to L1,006,075bn, of which one quarter was financed by short-term Treasury bills, Buoni Ordinari del Tesoro (BOT), and just over one half by medium and long-term securities, BTP and floating rate Treasury credit certificates, "Certificati di Credito del

Tesoro" (CCT).

The extent of the financing requirement is clear in the figures of the twice-monthly auctions of three, six and twelve-month BOT during the second two quarters of the year. A. total 1206,500hn of short-term

Government securities in huge demand

High volumes lift the secondary market



Mr Gloverni Paliadine: 'benks should be lending to the economy, not to the state'

ket seutiment and massive

sales of government securities in the secondary market by the mutual funds," said Mr Palla-dino. He added that Italy's hanks also helped to depress

the secondary market by sell-

ing Treasury bonds and certifi-

cates from their own portfolios.
"The banks should be lend-

ing money to the economy, not

to the state," said Mr Palla-

dino. Yet their balance sheets

are heavily weighted with gov-

ernmeut paper, mainly medium and long term. At the

end of 1987 the banking sys-tem's collective assets included

Over the same period, between April and Septe the Treasury made six issues in monthly operations for a total of L10,550bu of CCT. There were L85,831bn of BTP (generally two issues each month, one of three years and the other of five) and 3,500bn Ecu of CTE. The figures are enormous. The issue of government paper dominates the financial market." observed the senior Treasury official.

Politics has played another part in determining the move-ment of interest rates on Italian government securities The elections last year and the uncertainty which continued afterwards were reflected in market sentiment. For more than 12 months we had difficulties in Issuing medium-term bonds," said the official.

In addition to the political factor, the yields on Treasury bills, bonds and certificates have been affected by the probems of Italy's mutual funds. Since August 1987 the funds have been suffering from lack of public confidence and a hacmorrhage of redemptions. Net withdrawals during the first nine mouths this year were Government securities have

rities, which was nearly twice been an important part of the the total of interbank lending domestic mutual funds' investand more than two-thirds of total customer loans and bank ments since the first were launched in 1984, accounting for between 55 and 60 per cent The combination of the large of overall portfolio until mid-1987. Since the flow of redemptions started, fund managers

volumes of medium and long-term securities on the market and the steady selling by mutual funds and banks have been forced to sell in order to satisfy liquidity requirements. In the first nine over the past year has given months of the year, their total sales of government securities amounted to about L8,000bn, the secondary market an important function. In February this year the governme approved a Ministerial Decree aimed at reorganising the marleaving about L24,000bn in "High interest rates during 1988 have been caused by a ket and bringing it under statutory control. combination of uncertain mar-

This represents the authorities' answer to the concern that the rapid expansion of the stock of outstanding government securities has not been matched by the development of an efficient secondary market. The problems of lack of trans-parency, rigidity and illiquidity of transactions which emerge during the second half of 1987 underlined the need for action. Italy's secondary market for

consists of the stock market where about 5 per cent are regulated traded: a over-the-counter market, which came into operation on 16 May with 20 securities and was

government securities now

enlarged in October to deal in 30 securities, representing about one-third of the volume of bonds traded; and a non-regulated over-the-counter mar-

The market is made by 19 primary dealers (18 major banks and the IMI subsidiary Sige) who operate a screenbased dealing system with each supplying firm bid and offer prices for at least five government or government-backed securities. In addition, there are more than 150 dealers including mutual funds, insurance companies and other banks. The Bank of Italy, which with the companies and stock market commission Consob has responsibility for supervision, is also a dealer.

The authorities report that the system worked satisfactorily during its first four months. Average daily trading amounted to L220bn and the bid-ask spread was contained at an average of 13 basis points. "The secondary market had been an araba fenice, pres-eut but nobody could say exactly where. Though improvements are needed in the new market, it has worked better than expected," said the

Treasury official.

"In the past, indications about market sentiment given by the secondary market were usually not very useful. However, we expect the regulated secondary market to provide issues of securities in the future," he added.

It has not needed the secondary market to show the recent abrupt change in sentiment. This was clearly demonstrated by November's issue of BTP. The Treasury will now find it easier to attain its objectives of lower interest rates and increased life of debt.

"Caution has governed pol-icy ou rates. We have modified market preferences from float-ing to fixed rates, thus making debt easier to manage. And we can now conduct expectations downwards," said the senior Treasury official. New securities are being considered to lengtheu the life of debt. Fixed rate nine or ten year issues with the option of early redemption are a possibility,

be confirmed. External conditions are favourable and are assisting the couditions within Italy. With inflation looking set below 5 per cent, the real yields of government securities are around 6 per cent. Mr Pal-ladino considers that a drop of two points can be expected by the end of 1989.

David Lane

LEGISLATIVE REFORM

The first slow steps

WHAT KIND of a face will Italy's public sector banks present in the 1990s? Uuder prompting from the authori-ties, bankers and politicians are bending their minds to the

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Part of their attention centres on the corporate form which banks should take in the future. Part concerns the organisational model which banks should sdopt. And another major issue is whether or not to revise Italy's 1936 omnibus Banking Law.

If the Bank of Italy gets its way, the foundations and associations which are today's public sector banks will be replaced hy joint stock corporations. This would mean a significant change for large, his toric institutions such as the Monte dei Paschi di Siena, the Istituto Bancario San Paolo di Torino and the Cassa di Risparmio delle Provincie Lombarde as well as the whole savings

Behind the central hank's proposal is the belief that the joint stock corporation is the most appropriate form to encourage a business approach to hanking. Transformation would provide clearer owner ship, permit an opening to outside capital and ensure greater accountability. In particular, juridical change would allow a uumber of public sector banks

to approach the stock market more easily. However, strongly vested interests could be challenged. For example, the boards of public sector banks, from the large public law credit institu-tions to the smallest savings banks, reflect the balance of political power. With s quota of profits to be distributed for local good works, board mem-bers have their hands on practical means for tending local

natches The Bank of Italy's solution offers reassurance. The form of foundations and association would continue, thereby maintaining historical and local links without upsetting the political balance. They would have a new role as controlling shareholder, a position which might facilitate the moves towards mergers which the

authorities are encouraging. While the transformation of public sector banks into corporations has not yet overcome legislative burdles and remains

merely a proposal, concrete

steps have been taken towards the creation of gruppi plurifun-zionali, or multi-function groups. The group model groups. "The group model enables both private and public sector credit institutions to supply a wider range of services without losing the advantages of specialisation," Mr

Ciampi said earlier this year.
The central bank's governor noted that it is an organisational solution the validity of which is independent of the specific requirements of the Italian banking system. A 1966 law "has given both the supervisory authority and banks' governing bodies access to the information needed to monitor the performance of the subsidiary companies of a group headed by a credit institution," said Mr Ciampi. Similarly, in the alternative configuration,

The central bank's efforts are directed towards stimulating greater competition and higher efficiency

where a non-bank financial

company heads the group, supervision is on a consoli-dated basis.

The push for change is aimed at banks' operations as well as their corporate structures. Last year the interminis-terial committee for credit and savings decided to liberalise the rules governing medium and long-term lending, previously restricted to savings banks and the special sections of the public law banks. The Bank of Italy issued a circular at the end of March which put the committee's decision into effect. With the exception of the very small rural banks and branches of foreign banks, all Italian hanks are now subject to the same rules on medium and long-term lending.

The vexed question of branches, the numbers and locations of which have been tightly controlled by the central bank through a series of branch plans (the last in 1986), should become less contentions. Greater scope now exists for banks to make their own decisions on networks. In their March 1988 circular, the authorities provided instruc-tions governing the transfer of branches. Flexibility, auton-

conditions seem to be the new

watchwords The central bank's efforts are directed towards stimulating greater competition and higher efficiency which, if they bear results, should be good for the banks' customers. But the customer should also benefit

when Italy enacts legislation on banking transparency. The widespread belief among customers that banks are less than honest is fostered by opacity in conditions and lack of clarity in the presentation of statements. Legislation under consideration by the Italian parliament will not only satisfy EC requirements, that there should be regulation of bank contracts to the family sector by the end of 1989, but could also help dispel suspicions that

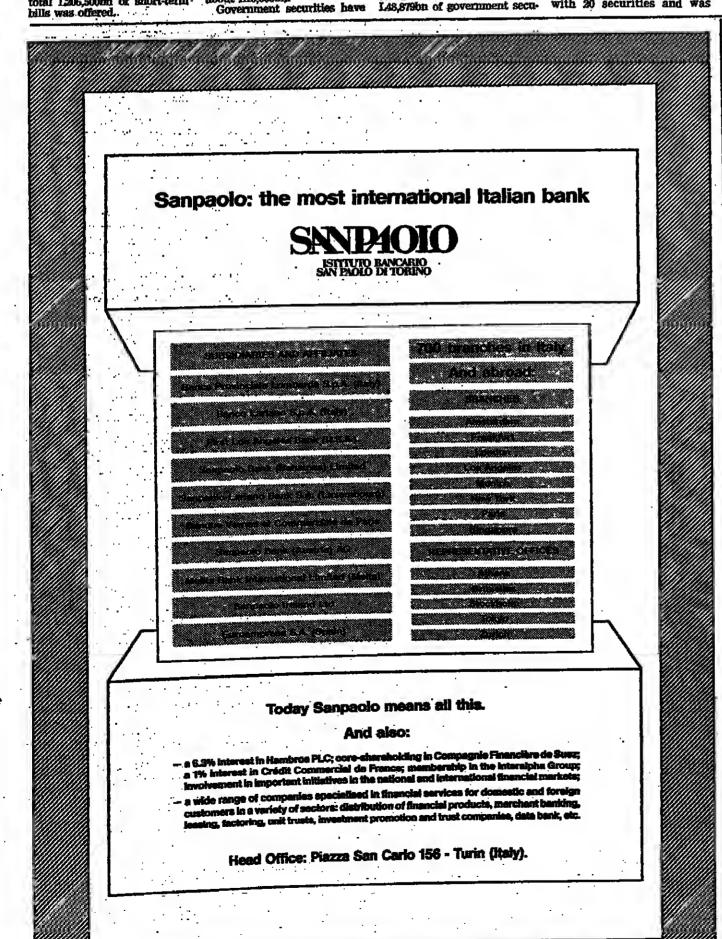
Mr Ciampi told a parliamen-tary commission that legislation should lay down principles rather than impose a set of rigid rules on transparency. He wants a succinct and elastic law which will delegate the detailed implementation to the interministerial committee on credit and savings and to the

Italy's banking association ABI has not waited for legislation to be enacted. It has already promoted a scheme among its members aimed at transparency and the publicising of conditions of interest rates and charges to customers. ABI has defined standard forms and methods to help cus-tomers understand what they are paying for bank services.
"It is a concrete step which should not be undervalued," said Mr Ciampi

Italy is one of the few industrialised world that has not rewritten its banking legislaclearly there are a range of issues which could be included in a new Banking Law.

However, the central bank favours a series of ameudments to modify the 1936 Banking Law rather than wholesale redrafting of the legislation. Governor Ciampi and his col-leagues are not saying so, but they clearly have nightmares just thinking about the pros-pect of turning over a matter as serious and detailed as the rewriting of the nation's banking legislation to members of the Italian parliament.

David Lane



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PROFILE: RAINER MASERA

Bad loans hard on savings banks

"THE RATE of increase is alowing and this suggests that the worst is behind us," said Piero Barucci, chairman of the Italian Banking Association ABI. Mr Barucci was painting a lighter shade to the bad loans which continue to discolour the accounts of Italy's banks. In 1987 the value of loans in default rose by 16.2 per cent to reach a total of L23,355bn at vear-end. The increases in the previous two years, which provide the grounds for Mr Bar-ucci's optimism, had been 18.5 and 21.6 per cent. Nevertheless, default equal to 7.2 per cent of lending, the Bank of Italy's figure which some bankers con-sider an under-statement, is no

small matter of concern. Savings banks have been hit hardest by non-performing loans. While the ratio of default to assets has been declining in Italy's principal banks, the casse di risparmi face a worsening situation. At the end of last year default among Italy's savings banks was 8.7 per cent of their overall lending, a reflection of local emphasis and a tendency to lend to small and medium sized businesses. "Certainly the case of the Cassa di Risparmi e Depositi di Prato is a

1 Banca Nazionale del Lavoro

2 Istituto Bancario San Paolo

3 Monte del Paschi di Siena

4 Banca Commerciale Italiana

5. Banco di Napoli

6 Benco di Roma

8 Credito Italiano

9 Banco di Sicilia

10 Istituto Mobiliare

consolidated figures; †Year end March 31 196

7 Caripio

Renk Benk



Mr Piero Barucci: attention needed to staff costs

(\$en)

2.894

3.157

3.872

3.362

1.001

1,404

3,408

1,480

2.940

ITALY'S TOP TEN BANKS

(\$m)

198

820

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443

24

817

192

109

problem of very high default," remarked Mr Barucci. Rising default was, however, only one of several negative features which characterised Italian banking last year. When banks announced their

results in the spring, it became

96,072

73.A77

67.183°

62,539

56,361

53,891

31,140

clear that the expectations of a poor year had been fulfilled. Overall the banking system's gross operating margin fell by 14.8 per cent. This was caused partly by a collapse in earnings from securities dealing. After reduced provisions and taxes.

1987

0.23

na

0.70

0.18

0.04

0.37

0.36

1 3.41

na.

0.87

21 1.16

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30

14 1.59

37

39

1987's collective bottom line showed a drop of 10.1 per cent in net profit compared to the But to the relief of bank

boards, performance has since picked up. Mr Barucci noted that the results this year have improved. ABI published the balf-year results of the country's 60 largest banks in Octo-ber and the association's chairman pointed to the advance of 11 per cent in operating margin and 9 per cent in intermediation margin compared to June 1987. "Although the banks might not repeat 1986's results, the current year will turn out appreciably better than last." predicted

Widening interest rate mar-gins have been the main contributor to the improvement. During 1987 the difference between average rates on loans (13.59 per cent) and deposits (7.02 per cent) was 6.57 per cent. Banks have been able to

increase the spread this year, reaching 7.27 per cent in Sep-tember. "Traditional banks which base their business on funds intermediation rather than securities dealing are doing best this year, confirmed Mr Barucci It seems, therefore, that

3.01

4.30

1.89

2.49

6.32

5.02

4.75

3 12.33 10.53

25

27

5.76 5.95

5.38 . 3.98

5.39

3.98

1.62

3,55

Pre-tax profits/

43

19

ΠÆ

32

41

44

8

38

37

(\$)

6.923

44,975

20,751

7,211

1,607

77,238

11.072

11,116

3 329.870

Source; The Banks

na

Italy's banking system is recovering lost ground by reis-ing prices rather than cutting its costs. Indeed, from figures in the Bank of Italy's annual report, published at the end of May, it seems that management's control over costs has slipped. The salary bill in 1987, which accounted for 71.8 per cent of total operating costs, was 10.1 per cent higher than in the previous year. Though this was partly caused by more employees, up by 1.1 per cent to 311,600, most of the escala-tion was due to salary rises significantly above the level of inflation.

"Great attention needs to be given to costs, particularly staff costs," said Mr Berucci. However, he noted that the salary bill in Italy continues to climb. "We are about to start negotiations on a new national contract. I hope that the result will not only keep costs in check but will also introduce flexibility in working practices which will allow banks to boost their efficiency, he said.

Overall figures for Italy's banking system suggest that the problem of over-staffing has not yet been tackled. And experience on the customers' side of the counter shows that there is considerable scope for improvements in efficiency and service. The new labour contract will provide an indication of the determination of Italian hankers to tackle one of their trickiest problems.

But recent experience of lack of collective will to grasp net-tles is not encouraging. Notwithstanding frequent exhortations from the central bank, little progress has been made on bank mergers. The process of concentration which would cut jobs and could boost efficiency is bogged down by poli-tics and interest, leaving customers to pay the price of fragmentation and deeplymoted inefficiency.

David Lane

Academic's dual role

RAINER Masera is probably one of the cleverest men in Italy, and he has never seemed nervous about showing it. His intelligence has under-

pinned a career of precocious schievement which, via an Oxford doctorate in econor the Bank of International Set-tlements and senior positions in the Bank of Italy, has deliv-ered him at the age of 44 to the top administrative job at Istitoto Mobiliare Italiano, Italy's largest medium-term credit

His arrival there in October. as director general, is one of the most important personnel changes in Italian finance this year. His new role gives major operational responsibilities to a man whose intellectual grasp of economics and of international banking and finance is second to none in Italy. Working in tandem with Luigi Arcuti, IMTs highly respected president, Mr Masera's task is to find a role in the 1990s world of global finance for IMTs already considerable investment banking and securities operations.

With a primary capital at March 31 of L14,959hn, a loan portfolio of L124,581hn and funds under management of L20,000bn. IMI is the most diversified of Italy's stateowned merchant banks, with a democratic reach" through a force of 3,500 securities salesmen, which far exceeds the more exclusive, all-powerful

Yet in some ways IMI remains curiously anonymous, partly because it has 40-odd operating subsidiaries, and partly because it has not mar-keted itself with that much panache

This is one omission which the new courteous, quietly spo-ken director general intends to remedy. IMI, he says, has not been taken as seriously as it should have been, although he acknowledges that its very complexity makes it difficult to



RETAIL BANKING

Having been launched at the beginning of the 1930s as a supplier of medium-term credit a role then forbidden to ordinary commercial banks in Italy
- it has since developed under Luigi Arcuti into a financial conglomerate with interests as diverse as retail banking, securities trading, investment banking, insurance, real estate

trading and management con-sultancy.

Only a few weeks into his new job, Mr Masera is still learning the business, but it already seems that an expansion of IMT's commercial banking activities, currently based oncontrol of Banca Manusardi. may be at the heart of his futurestrategy. He acknowledges that IMI may have a role to play in restructuring Italian banking through mergers or acquisitions, and believes that access to a deposit base and to a daily relationship with corporate clients could be an immense strengthening of IMI's activities.

He also sees a variety of collaborative alliances with for-eign institutions as a necessary response to the globalisation of markets which will strengthen IMI's investment banking and allow it to become a major seller of foreign securities in fisly, whose private investor-senjoy the highest rate of per-sonal savings in the world.

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Mr Masera's friends believe he left his post as director of of Italy because further advancement there appears to be blocked for the time being He says that he wanted fresh challenges, and confesses that his work at the central bank

His role at IMI gives him a platform of experience from which to preach on some of his priority subjects, such as the need for much deeper thought on how financial servicesshould be regulated at a European level after 1992.

The academic-turned-busi nessman is also excited by the opportunity to return to some university teaching, and has accepted a professorship in international finance at prestigious private Luiss University. One wonders how he will find

the individual retail customer is seen by top bank executives.

only a decade ago, the issues

related to retail banking - as

opposed to the more glamorous

areas of corporate or interna-

tional banking - are often

looked down upon by top bank-

ers. The boom in retail services

in other countries has taught

bankers that, aside from

improving efficiency and reducing cost structures, incra-tive fees can be generated from

value-added retail services.

As was the case in Britain

John Wyles

THE CASSA DI PRATO AFFAIR

Test case for rescue fund

IN 1982 the corpse of Roberto Calvi, chairman of the Milanbased Banco Ambrosiano, was found hanging beneath Blackfriars Bridge, in the City of

The bank collapsed not long afterwards with \$1.3bn of missr funds and the tale of fraud and underworld dealings that subsequently emerged made the Ambrosiano affair Italy's biggest and most bizarre postwar financial scandal. At the time of the Ambrosi-

ano crash, the bank's depositors were left unprotected, and talk began of the need for Italy to invent an insurance fund similar to America's FDIC. In 1987 the Deposit Guaran

tee Fund was finally launched in Italy, with L1,000bn of capi-tal that was contributed on a pro-rated basis by the nation's 1,100 banks. Last month, in the first bank crisis since the fund was

started, an emergency L1,100bn rescue was mounted for the Cassa di Risparmi di Prato, a Tuscan savings bank located in the town of Prato, a textile cen-tre not far from Florence. The Cassa di Prato affair,

apart from representing the worst single crisis to befall an Italian bank since Ambrosiano, is a seminal test case for the new Guarantee Fund. The rescue has been mired

in controversy, and at the time of writing there were reports of judicial investigations into suspected fraud, and plans by a group of small shareholders to bring a civil lawsuit against the Bank of Italy, alleging neg-ligence by the central bank's

supervisors.
While the Prato affair con-

smaller than Ambrosiano, and while it does not have the international implications of the Calvi affair, it is nonetheless an important barometer of how well the Italian banking system is able to safeguard individual institutions - and depositors - when a crisis

The Bank of Italy sent three inspection teams to Prato between 1986 and this year. In the Spring of 1987, clearly con-cerned about bad debts from

The affair is a barometer of how well the banking system is able to safeguard Individual institutions and depositors

the loss-burdened local textile industry, the central bank forced the replacement of top executives at Prato. Problems mounted, however, and last Jannary the central bank put pressure on other Tuscan savings banks to inject L200bn of fresh capital into the Cassa

di Prato.

This September, with the bank teetering under LI,400hn of bad debts, of which L747hn are unrecoverable, fear spread among savers, and a run on deposits saw Prato's total deposit base shrink by 25 percent As the crisis worsensed cent. As the crisis worsensed in September, the central bank finally sent in commissioners to take over the Cassa di Prato.

supervisory division, did not act quickly enough. A lack of detailed information about Prato means it is too early to make any judgments about how well the central bank's supervisors have handled the

As for the way in which the lifeboat was assembled, it is possible to draw some prelimi-nary conclusions. The original rescue plan lavoured by the central bank and senior members of the Guarantee Fund (which is chaired by Mr Francesco Bignardi, a veteran 68ear-old banker who heads the Bologna-based Credito Romag-nolo) would have seen the new fund putting up L650bn of the lifeboat, with savings banks stumping up a further L350bn and a pool of six national banks supplying the remaining

The original rescue plan failed because several banks, including the Banca Nazionale del Lavoro (BNL), balked at being called upon to provide additional capital beyond their pro-rated subscriptions to the Guarantee Fund. In particu-lar, some bankers objected to the fact that the Guarantee Fund would end up owning control of Prato.

In the US, when the FDIC moves in to rescue a bank, it does, however, become an effective shareholder. Perhaps in Italy the fact that Prato is the first test-case for the fund means that Italian bankers are simply not used to the mechanism as not

nism as yet. The reluctance of banks to join in a lifeboat is not unique

central bank's Vigilanza, or several French banks balked at participating in the rescue of the troubled Al Saudi Banque, which was eventually saved by a group of commercial and bank creditors. France, however, does not have an FDICstyle fund:

The Bank of Italy is keen that cash-rich banks, such as IMI, Crediop, San Paolo, Cariplo or BNL, should in any case take over smaller institutions in need of capital. This, says the central bank, would help the process of restructuring the banking system, and would introduce more competition into regions of Italy that are traditionally dominated by local savings or agricultural

In the Prato affair, the cen-tral bank appears to have been unable to impose its will on other banks, which raises ques-tions about both the Bank of lialy's overall authority in the system and about the willingess of banks to join in a pro-cess of rationalising the sys-

The Prato affair thus raises more questions than it answers. The prospect of judicial investigations means that, as often happens in Italy, this particular story will take time to unravel and may never be

fully clear.
The institutional issues raised by the Guarantee Fund's first-ever lifeboat are important for the treatment of future bank crises. The Prato affair must thus be considered an experiment for the Italian banking system, and a costly one at that.

Oiling the clearing system

ONE DOES not need to be a McKinsey banking analyst in order to appreciate that a continuing deficiency in the Italiana deficienc ian banking system is the gen-erally poor level of service for retail customers.

Any tourist who walks into an Italian bank encounters a swirling sea of humanity (customers) clamouring for the attention of clerks, a lengthy wait to be served, and fre-quently the charging of com-missions for cashing cheques which, under the Eurocheque system, should be free. The Italians, having no other

experience, are accustomed to the sight of low-paid clerks who tend to smoke cigarettes, flirt with their colleagues, make telephone calls, or sim-ply ignore their customers. But even the locals tend to be frustrated by the lack of a service

mentality.

As Italy'a predominantly state-controlled banking system tries hard to be more competitive, attempts are being made to improve customer services. But the system has several in-built inefficiencies which seem unlikely to be addressed in the near future.

These include: the civil service status of state bank employees; the difficulty of restructuring banks by means of redundancies; and the cushy manner in which banks have got used to earning a float on the back of cheques that take up to a month to be cleared.

Italian bankers admit that in an ideal world most banks could function well - and even better if between 20 and 30 per cent of the staff were

made redundant, almost a political impossibility.

Banks have been spending large sums on antonation, including terminals for clerks and cash dispensers for the nationwide Bancomat system. Unfortunately the new technology is often "thrown" at the bank branches in an unco-ordinated and inefficient manner. Labour-reducing computers are often introduced without labour reductions.

The most serious obstacle to a smoother system is the poor state of cheque-clearing. But, with the urging of the central bank and several top bankers, a new clearing system was launched on November 16. If this works well among the 200 banks involved, it will be expanded to include more of the nation's 1,100 separate banking institutions.

The central bank, working with the Association of Italian Banks (ABI), sims to reduce the time it takes to clear cheques between banks in dif-ferent cities from an average of 28-45 days to nine working days. Until the experiment began last month, all such cheques were sent between banks by post.

The new clearing system has the co-operation of 200 banks operating in 40 cities, where Bank of Italy clearing rooms will attempt to sort out delays. What is astonishing, according to those involved in piloting the new system, is that a number of bankers have com-plained of the additional "cost" associated with offering a fas-ter clearing system. What the bankers mean is that, if cheques are cleared in a matter of days rather than weeks, they will lose the interest income earned on the float.

The Bancomat system, meanwhile, is in some ways actually one of Europe's more works, in that it allows customers to use their cards at the automated teller machines (ATMs) of numerous different banks up and down the Italian peninsular. The problem is that not all the banks that have pledged to abide by Bancomat rules are doing so, and one frequently finds one's card rejected by a machine that serves only its own customers.

This notion has not yet taken root in Italy. At the end of the day, say Alan Friedman

Bank stands Continued from Page 1

argued that banks could be protected from abuse by indus-trial owners if strict limits were placed on the flow of loans to the selfsame industrial concerns. The central bank,

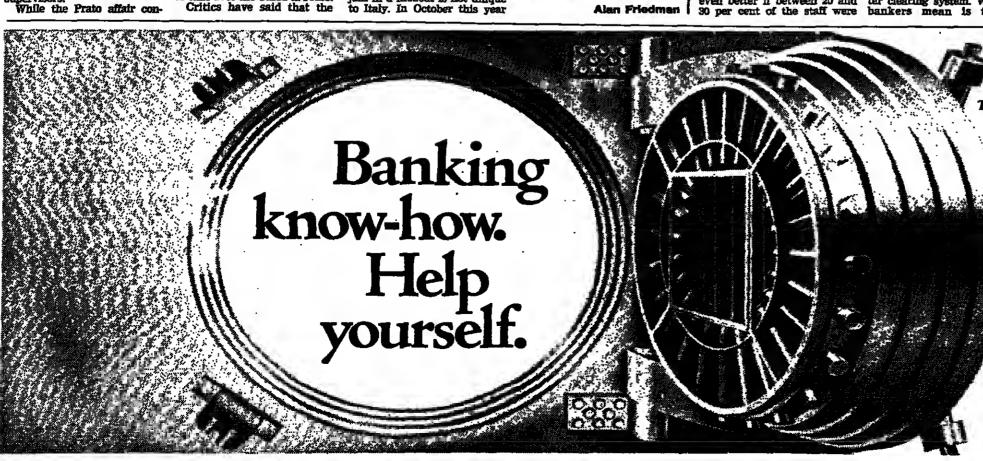
concerns. The central bank, however, does not appear convinced by this.

The door to industry is, however, already ajar. Mr Ciampi says he does not object to industrial companies owning up to 15 per cent of banks, and both the Agnelli and De Benedetti groups are already indidetti groups are already indi-rect minority shareholders in two major private banks - the former has a stake in Nuovo Banco Ambrosiano (held by Gemina), and Mr De Benedetti leads a coalition that controls Credito Romagnolo.

The manner in which this issue is resolved could have

important implications not only on the bank ownership only on the bank ownership front, but also in terms of how italy's big industrial concerns allocate their financial resources in the 1990s. Many members of the Italian financial world fear, meanwhile,

that precious time and energy is being wasted on the debate. Critics of the current debate say that Italian industrialists such as Mr Romiti could better use their time and company cash balances to concentrate on achieving Europe-wide economies of scale; while the Italian central bank could make more efficient use of its resources to press for priorities such as faster cheque cashing, a stronger interbank market, and more cuts in public-sector



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